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President of the Senate

DANIEL PEREZ
Speaker of the House of Representatives

November 5, 2025

Adam J. Teitzman, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 20250035- GU- Petition for approval of 2025 depreciation study and for approval to amortize reserve imbalance, by Florida City Gas

Dear Mr. Teitzman:

Please find enclosed for filing in the above referenced docket the Direct Testimony and Exhibits of William Dunkel. This filing is being made via the Florida Public Service Commission's web-based electronic filing portal.

If you have any questions or concerns, please do not hesitate to contact me. Thank you for your assistance in this matter.

Sincerely,

Walt Trierweiler
Public Counsel

/s/ Charles J. Rehwinkel Charles J. Rehwinkel
Deputy Public Counsel
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<u>CERTIFICATE OF SERVICE</u>
<u>DOCKET NO. 20250035-GU</u>

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail on this 5th day of November 2025, to the following:

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of 2025 depreciation study and for approval to amortize reserve imbalance, by Florida City Gas	DOCKET NO.: 20250035-GU FILED: November 5, 2025

DIRECT TESTIMONY

OF

WILLIAM DUNKEL

ON BEHALF

OF

THE CITIZENS OF THE STATE OF FLORIDA

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I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is William Dunkel. My business address is 8625 Farmington Cemetery Road, Pleasant Plains, Illinois 62677.

Q. WHAT IS YOUR PRESENT OCCUPATION?

A. I am a consultant with, and the principal of, William Dunkel and Associates ("WDA"). For decades I have addressed utility depreciation rates and dismantlement in numerous proceedings in various jurisdictions.

Q. HAVE YOU PREVIOUSLY TESTIFIED IN FLORIDA?

A. Yes. I am addressing depreciation rates and dismantlement cost in the current Florida Power & Light Company's ("FPL") proceeding, Docket No. 20250011-EI. In addition, I addressed dismantlement costs in the prior FPL proceeding, Docket No. 20210015-EI. In addition, I addressed depreciation rates regarding Duke Energy Florida in Docket No. 20240025-EI.

Q. PLEASE SUMMARIZE YOUR PROFESSIONAL QUALIFICATIONS.

A. I am the principal of William Dunkel and Associates, which was established in 1980. For over 40 years since that time, I have regularly provided consulting services in utility regulatory proceedings throughout the country. I have participated in over 300 state regulatory proceedings before over one-half of the state commissions in the United States. I provide, or have provided, services in utility regulatory proceedings to the following clients:

The Public Utility Commissions or their Staffs in these States:

Arkansas	Maryland
Arizona	Mississippi
Delaware	Missouri
District of Columbia	New Mexico
Georgia	North Carolina
Guam	Utah
Illinois	Virginia
Kansas	Washington
Maine	U.S. Virgin Islands

The Office of the Public Advocate, or its equivalent, in these States:

Alaska	Maryland
California	Massachusetts
Colorado	Michigan
Connecticut	Missouri
District of Columbia	Nebraska
Florida	New Jersey
Georgia	New Mexico
Hawaii	Ohio
Illinois	Oklahoma
Indiana	Pennsylvania
Iowa	Utah
Maine	Washington

The Department of Administration in these States:

Illinois	South Dakota
Minnesota	Wisconsin

I graduated from the University of Illinois in February 1970 with a Bachelor of Science Degree in Engineering Physics, with an emphasis on economics and other business-related subjects. In the past I was a design engineer for Sangamo Electric Company designing electric watt-hour meters used in the electric utility industry. I was granted patent No. 3822400 for solid-state meter pulse initiator which was used in metering.

I am a member of the Society of Depreciation Professionals. I have made presentations in the 2018 and 2011 annual meetings of the Society of Depreciation Professionals.

Nationwide, 50% of my firm's cases are on behalf of the commissions or commission staffs, and the remainder are on behalf of public advocates.

Q. HAVE YOU PREPARED AN EXHIBIT THAT DESCRIBES YOUR QUALIFICATIONS?

A. Yes. My qualifications and previous experiences are shown on the attached Exhibit WWD-1.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of the Office of Public Counsel of the State of Florida ("OPC").

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. I will address Issues 1 through 5, and Issue 7 on Attachment A of Order No. PSC-2025-0366-PCO-GU in this case.

A primary purposes of my testimony are to (1) address the Direct Testimony of Patricia Lee filed October 1, 2025, (2) address the Florida City Gas ("FCG" or "Company") 2025 Exhibit PSL-2 Revised FCG Depreciation Study and Workbook, (3) address the Exhibits PSL-1, PSL-3 and, PSL-4, (4) address portions of the Direct Testimony of Matt Everngam filed October 1, 2025, and (5) address the associated, discovery responses, and other information related to the Florida City Gas 2025 Depreciation Study and associated testimonies. I also reviewed information that FCG had provided prior to the October 1, 2025, filing. I also address the Staff Report filed August 12, 2025.

Q. PLEASE DESCRIBE SOME OF THE STEPS YOU TOOK TO PREPARE YOUR TESTIMONY.

A. The steps I took to prepare for my testimony included the following:

- Reviewed the Direct Testimonies filed by Patricia Lee and by Matt Everngam, and the FCG 2025 Depreciation Study and associated documents and workpapers filed in this proceeding.
- Reviewed the Staff Report filed August 12, 2025
- Prepared discovery requests to be issued in this proceeding as they pertain to depreciation, reviewed the responses, prepared follow-up discovery requests as appropriate, and reviewed responses to the follow-up discovery requests.
- Considered the Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USOA").
- Considered the accepted depreciation practices, including those contained in the Public Utility Depreciation Practices published by the National Association of Regulatory Utility Commissioners ("NARUC").
- Conducted additional analyses, which are detailed in this testimony.

Q. PLEASE PROVIDE THE DEFINITION OF DEPRECIATION YOU USED.

A. Because this proceeding is for a regulated gas utility, I rely on the definition of depreciation in the FERC USOA Part 201, which states[1]:

> *Depreciation*, as applied to depreciable gas plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirement of gas plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities, and, in the case of natural gas companies, the exhaustion of natural resources.

II. ISSUE 1: SHOULD CURRENTLY PRESCRIBED DEPRECIATION RATES FOR FLORIDA CITY GAS BE REVISED?

Q. SHOULD CURRENTLY PRESCRIBED DEPRECIATION RATES FOR FLORIDA CITY GAS BE REVISED?

A. No. The FCG proposal is nowhere near a reasonable balance of the investors and ratepayer interests, as I will now demonstrate.

A. FCG PROPOSES TO TAKE $22 MILLION OUT OF THE DEPRECIATION RESERVE AND GIVE IT TO THE OWNERS.

Q. WHAT IS ONE THING FCG IS PROPOSING?

A. FCG proposed to take $22,391,064 out of the depreciation reserve and give it to the owners.[2]

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[1] 18 CFR, Vol 1, Part 201.
[2] Page 4 of Composite PSL-2 (Narrative). FCG would remove this by removing $11,195,532 per year from the Depreciation Reserve for two years.

Q. PLEASE PROVIDE AN ANALOGY TO THIS FCG PROPOSAL.

A. Assume the bank owner took $10,000 out of your retirement account and put that money in his or her pocket. Of course that is improper, but it is a good analogy to what FCG is proposing in this case.

In this case, FCG is proposing to take $22,391,064 out of the depreciation reserve.[3]

Q. WHAT WOULD HAPPEN TO THE $22 MILLION FCG PROPOSES TO TAKE OUT OF THE DEPRECIATION RESERVE?

A. The $22 million FCG proposes to take out of the Depreciation Reserve would go to the owners as earnings.

In response to discovery, FCG said the following:

> In depreciation studies not accompanied with a rate case proceeding, the resultant expenses of revised depreciation rates, either increases or decreases, have an effect on earnings.[4]

FCG is proposing to take $22 million out of the Depreciation Reserve and give that $22 million to the owners' "earnings."

B. FCG MISREPRESENTS ITS PROPOSAL

Q. WHAT DOES THE EXISTENCE OF A RESERVE SURPLUS MEAN?

A. A reserve surplus means that ratepayers have overpaid for depreciation. As an analogy, if for some reason you overpaid your dentist, the dentist would not take that overpayment out

[3] Page 4 of Composite Exhibit PSL-2 (Narrative).
[4] FCG response to Interrogatory 24 in Responses to Staff's First Data Requests. See Exhibit WWD-2.

of your account and put it in his or her pocket. The dentist would use it as a credit to reduce your future charges or would send the overpayment back to you.

Q. WITNESS LEE STATES THE FOLLOWING:

> **First, if FCG's proposal is accepted, the annual depreciation expenses will decrease by approximately $12.2 million for two years compared to existing rates and amortization,....In this way. FCG's proposal will provide a return of the reserve surplus, which equates to the over payment of depreciation expenses, to the generation of ratepayers who may have overpaid…[5]**

UNDER THE FCG PROPOSAL, WILL THE AMOUNT LABELED AS "SURPLUS" GO TO "THE GENERATION OF RATEPAYERS WHO MAY HAVE OVERPAID"?

A. Absolutely not. Under the FCG proposal the $22 million that is labeled as "surplus" will go **to the owners,** not to any ratepayers. FCG is misrepresenting its proposal. If FCG wanted to return the $22 million to the "the generation of ratepayers who may have overpaid" they could reduce the prices/tariffs charged the ratepayers by $11 million per year for two years.[6] That is **not** what FCG is proposing. FCG is proposing the $22 million be **given to the owners**, not to the ratepayers.

[5] Page 31, lines 15-22 of the Lee Direct Testimony.
[6] I am not recommending the prices/tariffs charged to the ratepayers be reduced by $11 million per year for two years. My recommendations are contained elsewhere in this testimony.

C. TAKING $22 MILLION OUT OF THE DEPRECIATION RESERVE HARMS RATEPAYERS

Q. WOULD TAKING $22,347,595 OUT OF THE DEPRECIATION RESERVE HARM CUSTOMERS?

A. Yes. Taking $22,347,595 out of the depreciation reserve would result in future prices/tariffs charged to ratepayers being higher than if this $22 million is not taken out of the depreciation reserve. Taking $22 million out of the Depreciation Reserve would increase the net rate base by $22 million. This occurs because the amount in the Depreciation Reserve is a deduction when calculating the Net Rate Base amount. In a rate case, the allowed rate of return is multiplied times the Net Rate Base. So, if $22 million is taken out of the Depreciation Reserve, that means in the coming rate case the ratepayers will have to pay a rate of return on a Net Rate Base which would be $22 million higher than it would be if the $22 million is not taken out of the depreciation reserve.

D. REMOVING $22 MILLION FROM THE DEPRECIATION RESERVE WOULD ENTITLE FCG TO RECEIVE $2 MILLION HIGHER RATES IN THE COMING RATE CASE.

Q. ON PAGE 6 OF HIS TESTIMONY, WITNESS EVERNGAM CLAIMS ADOPTING THE FCG PROPOSAL WOULD BENEFIT RATEPAYERS "IN ITS NEXT BASE RATE CASE". IS THAT TRUE?

A. No. Just the opposite. Removing $22.3 million from the Depreciation Reserve would entitle FCG to receive a **rate increase of** $2 million dollars higher per year than if the $22.3 million was not removed from the Depreciation Reserve.

The amount in the depreciation reserve is a deduction when calculating the net rate base amount. A $22.3 million lower depreciation reserve increases the net rate base by $22.3 million.

The fact that deducting money from the Depreciation Reserve **increases** the Net Utility Plant is illustrated below: [7]

Figure 1:

Hypothetical Utility

		Normal		Deduct $22.3 Million From Reserve		Difference
	Utility Plant in Service	700,000,000			700,000,000	
-	Depreciation Reserve	200,000,000	-	22,391,064	177,608,936	
	Net Utility Plant	500,000,000			522,391,064	22,391,064

Q. IN A RATE CASE, WHAT IMPACT DOES A HIGHER NET RATE BASE HAVE?

A. A higher Net Rate Base results in higher rates.

In a rate case, the dollar amount of the Required Net Operating Income is calculated by multiplying the Commission-approved rate of return times the amount of the Net Rate base. If the Net Rate base is higher, the dollar amount of the Required Net Operating Income is

[7] In a rate case, items in addition to those shown in Figure 1 would be added or subtracted in calculating the Net Utility Base.

higher. An example of this calculation in an actual rate case is shown on Exhibit WWD-3 from Order No. PSC-2023-0177-FOF-GU.

To see the approximate impact of taking $22,391,064 out of the Depreciation Reserve, the calculation below uses the rate of return and Expansion Factor [for income tax] approved in the prior FCG case, Docket No. 20220069-GU.[8]

Figure 2:[9]

Hypothetical Utility

		Normal		Deduct $22.3 Million From Reserve		Difference
	Utility Plant in Service	700,000,000			700,000,000	
-	Depreciation Reserve	200,000,000	-	22,391,064	177,608,936	
	Net Utility Plant	500,000,000			522,391,064	$22,391,064
		Rate of Return				6.44%
		Required Net Operating Income				$ 1,441,985
		Revenue Expansion Factor [For Income Taxes]				1.3527
		Increase from removing $22.3 M from Reserve				$ 1,950,572

If in this case the Commission approves removing $22.3 million from the Depreciation Reserve and giving that to the owners, that would impact the books such that the owners

[8]See Exhibit WWD-3. From Attachment 5, Order No. PSC-2023-0177-FOF-GU.
[9] This calculation is for illustrative purposes. I am not forecasting what rate of return or tax factor might be approved in the future case.

would also receive in the coming rate case $1.4 million higher Required Net Operating Income than if the $22.3 million is not removed from the Depreciation Reserve.[10] This would increase the rates on the ratepayers by $2 million more **per year** after the Revenue Expansion Factor [for income taxes].[11] In addition, the impact of higher prices/tariffs on ratepayers due to removing $22.3 million from the reserve could last for decades.

E. INVESTORS RECEIVE A RETURN ON AN ADDITIONAL $22.3 MILLION INVESTMENT, WITHOUT MAKING ANY ADDITIONAL INVESTMENT.

Q. WHAT IS THE BASIC CONCEPT OF ALLOWING INVESTORS A RATE OF RETURN ON THE NET RATE BASE?

A. The basic concept of allowing investors a rate of return on the **net** rate base is that investors should receive a rate of return on the capital the investors have invested. Investors are not entitled to receive a rate of return on capital they have not invested.

Q. DOES THIS FCG FILING VIOLATE THIS CONCEPT?

A. Yes. Under the FCG proposal, after investors **remove** $22.3 million from the Depreciation Reserve, investors would receive a rate of return on an additional $22.3 million. This is because removing $22.3 million from the Depreciation Reserve increases the net rate base

[10] Even if all of the $22,391,064 had not yet been fully removed from the Depreciation Reserve in the time period looked at in the rate case, a proforma adjustment could be made since it would be known the $22,391,064 would soon be fully removed (if the FCG proposal in this case had been adopted).

[11] FCG also proposes to reduce the depreciation rates by approximately $1 million per year, which would reduce the amount credited into the Depreciation Reserve by approximately $1 million per year, which would further increase the Net Utility Plant by $1 million per year. The impact of the FCG proposed depreciation rate changes would be in addition to what is shown above. The FCG proposed reduction of depreciation rates means future depreciation rates would have to be higher than they otherwise would be, to make up for the smaller amount going into the Depreciation Reserve under the depreciation rates FCG proposes in this case.

by $22.3 million. But the investors did not invest an additional $22.3 million in this transaction. In fact, the investors **received** that $22.3 million.

This FCG proposal is unreasonable and violates proper regulatory concepts.

F. IMPACT ON DEPRECIATION RATES IN FUTURE

Q. WOULD THE FCG PROPOSAL ALSO INCREASE THE DEPRECIATION RATE IN THE NEXT DEPRECIATION STUDY?

A. Yes. Taking $22.3 million out of the depreciation reserve will also increase depreciation rates in the next depreciation study, compared with what the depreciation rates would be if the $22.3 million is not removed from the Depreciation Reserve.

The dollar amount in the Depreciation Reserve is part of the calculation of the remaining life depreciation rate. The smaller the dollar amount in the Depreciation Reserve, the higher the depreciation rate is, everything else being the same. Removing $22.3 million from the Depreciation Reserve will result in the future depreciation rates being in the range of half a million dollars a year higher, than if the $22.3 million is not removed from the Depreciation Reserve.[12]

In this case FCG proposes to reduce the depreciation rates by approximately $1 million per year. But that would be a temporary reduction. The depreciation rates would have to be

[12] $22,391,064 out of the Depreciation Reserve / average Remaining life of 49 years = $456,960 impact on annual depreciation expense.

increased because of the money taken out of the reserve and because of the lower amount being booked into the reserve.

<u>G. TAKING $22 MILLION OUT OF THE DEPRECIATION RESERVE HARMS RATEPAYERS, EVEN IF YOU CALL IT "SURPLUS".</u>

Q. FCG CALLS THE $22,391,064 A "RESERVE SURPLUS." DOES CALLING THIS AMOUNT A "RESERVE SURPLUS" MEAN IT CAN BE REMOVED FROM THE DEPRECIATION RESERVE AT NO COST TO THE RATEPAYERS?

A. No. Regardless of what name you give it, removing $22.3 million from the Depreciation Reserve will cost the ratepayers. Regardless of what name you give it, removing $22.3 million from the Depreciation Reserve will, in the next rate case, entitle FCG to rates which are approximately $2 million per year higher than they would be if the $22.3 million is not removed from the Depreciation Reserve, as shown in prior Figure 2. Higher costs to ratepayers as the result of removing $22.3 million from the Depreciation Reserve could last for decades.

In addition, regardless of what name you give it, removing $22.3 million from the Depreciation Reserve will, in the next depreciation study, result in rates which are approximately half a million dollars a year higher than if the $22.3 million is not removed from the Depreciation Reserve.

<u>H. PURPOSE OF THE DEPRECIATION RESERVE</u>

Q. WHAT IS THE PURPOSE OF THE DEPRECIATION RESERVE?

A. The Depreciation Reserve accumulates money from the ratepayers, and that money is taken out of the Depreciation Reserve when investments retire. For example, when a facility that has an original cost of $1,000 in the Plant in Service account retires, $1,000 is removed from the Plant in Service account, and under double-entry bookkeeping, $1,000 is also removed from the Depreciation Reserve account.

In the USOA, the official name of what we call the Depreciation Reserve is Account "108 Accumulated provision for depreciation of gas plant." As described in the FERC Uniform System of Accounts (USOA), "Amounts charged to account 403, Depreciation Expense" are "credited" into the Depreciation Reserve. And:

> At the time of retirement of depreciable gas utility plant, this account shall be charged with the book cost of the property retired and the cost of removal and shall be credited with the salvage value and any other amounts recovered, such as insurance.[13]

Q. CAN MONEY PROPERLY BE TAKEN OUT OF THE DEPRECIATION RESERVE AND CONVERTED TO EARNINGS?

A. No. The USOA says the following regarding Account 108 "Accumulated provision for depreciation of gas plant":

> The utility **is restricted in its use of the provision for depreciation to the purposes set forth above**. **It shall not transfer any portion of this account to retained earnings** or make any other use thereof without authorization by the Commission.[14] (Emphasis added)

[13] CFR Title 18- Vol 1. Part 201 from "108 Accumulated provision for depreciation of gas utility plant." There is similar wording for other circumstances, such as leases.
[14] CFR Title 18- Vol 1. Part 201 from "108 Accumulated provision for depreciation of gas utility plant."

I. THE FCG PROPOSAL IS NOT A REASONABLE BALANCING OF THE INVESTOR AND THE CONSUMER INTERESTS.

Q. THE U. S. SUPREME COURT HAS STATED THE FOLLOWING:

> **THE RATEMAKING PROCESS UNDER THE ACT, *I.E.,* THE FIXING OF "JUST AND REASONABLE" RATES, INVOLVES A BALANCING OF THE INVESTOR AND THE CONSUMER INTERESTS.[15]**

IN YOUR OPINION IS THE FCG PROPOSAL A REASONABLE BALANCING OF THE INVESTOR AND THE CONSUMER INTERESTS?

A. No. FCG proposes taking \$22,391,064 out of the Depreciation Reserve and giving that to the investors. Taking \$22,391,064 out of the Depreciation Reserve would also entitle the investors to receive an additional \$1.4 million per year in earnings, because of the impact on the net rate base of taking \$22,391,064 out of the Depreciation Reserve.

On the ratepayers' side, FCG taking this money out of the Depreciation Reserve will cost the ratepayer an additional \$2 million per year.[16] Higher costs to ratepayers as the result of removing \$22.3 million from the Depreciation Reserve could last for decades. This is due to the impact on the net rate base of FCG taking \$22,391,064 out of the Depreciation Reserve.

In my opinion, this is absurdly one sided. This is nowhere near a reasonable balancing of the investor and the consumer interests, using the plain meaning of the words.

[15] *Federal Power Commission v. Hope Natural Gas Co.,* 320 U.S. 591 (1944) at 603.
[16] After the Revenue Expansion Factor [For Income Taxes]. See prior Figure 2.

J. FCG'S DEPRECIATION STUDY VIOLATES THE RULES, AND MUST BE REJECTED

Q. WHAT IS THE SECOND REASON THE FCG PROPOSAL IN THIS CASE SHOULD BE REJECTED?

A. FCG's depreciation study violates the Rules and must be rejected.

Q. WHAT IS ONE THING PARTICULARLY RELEVANT TO THIS ISSUE THAT THE FPSC RULE 25-7.045, FLORIDA ADMINISTRATIVE CODE, REQUIRES?

A. FPSC Rule 25-7.045, Florida Administrative Code ("F.A.C.") includes the following:

> (5) A depreciation study shall include:
>
> …
>
> h) The mortality and salvage data used by the company in the depreciation rate design **must agree with activity booked by the utility**. Unusual transactions not included in life or salvage studies, e.g., sales or extraordinary retirements, must be specifically enumerated and explained. (Emphsis added)

Q. DOES THE DATA IN THE DEPRECIATION STUDY FCG FILED IN THIS CASE "AGREE WITH ACTIVITY BOOKED BY THE UTILITY"?

A. Absolutely not, as I will now demonstrate. The FCG books are audited by Deloitte, and the audited numbers are provided in the FCG Annual Report to the FPSC. There are vast inconsistencies between the data on which FCG is basing its claimed depreciation rates, and the data in the audited FCG Annual Reports.

For example, as I will demonstrate below, for a number that should be the same amount, that number is $5,565,780 from the data in the audited FCG Annual Reports, but that number is $546,527 in the calculations FCG used in calculating their proposed depreciation rates and claimed reserve surplus. The number FCG used in its depreciation study is about 1/10th the number on the books as shown in the audited FCG Annual Report.

Q. PLEASE PROVIDE THE DETAILS OF THE EXAMPLE YOU DISCUSSED ABOVE.

A. Page 22 of the 2021 FCG Annual Report to the FPSC shows that the Additions in 2021 were $5,565,780 in Mains -Steel.[17] This 2021 Annual Report was audited by Deloitte, as is shown in Exhibit WWD-4. FCG admits there have been no retirements in the 2021 vintage in that account,[18] so the balance in service at the time used in the study (1/1/2025) was still $5,565,780 ($5,565,780 - $0 = $5,565,780).[19]

However, Schedule J of FCG Exhibit PSL-2 shows the balance in service at the time used in the study (1/1/2025) was [allegedly] $546,527 in the same 2021 vintage of the same account, Mains -Steel.[20] The audited data from the annual report shows the amount is $5,565,780, but FCG used $546,527 in the Average Age Calculations. FCG uses that claimed Average Age in calculating its claimed depreciation rate and in calculating its claimed reserve surplus.

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[17] See Exhibit WWD-4, page 6 of 6. FCG Annual Report to the FPSC for 2021, page 22 shows the Additions in 2021 were $5,565,780 in Mains- Steel (which at that time was Account 376.1).
[18] See Exhibit WWD-5, page 4 of 11. The FCG response to Citizens' Third Set of Interrogatories, Interrogatory No.17, part (c) starts as follows: "There have been no retirements from the vintage year 2021." This was addressing Account 3762, Mains -Steel. The FCG responses to Citizens' Third Set of Interrogatories, Interrogatories Nos. 17-19 are attached as Exhibit WWD-5.
[19] There have also been no retirements, no transfers and no adjustments in the 2021 vintage in this account. See Exhibit WWD-5.
[20] Exhibit PSL-2 Revised Depreciation Study Workbook, Tab "Sch J" filed 10-3-2025.

Q. ARE THE NUMBERS IN THE FCG ANNUAL REPORTS BOTH AUDITED BY DELOITTE AND ALSO CERTIFIED BY THE "RESPONSIBLE ACCOUNTING OFFICER" OF FCG?

A. Yes. As shown on the pages of the FCG 2021 Annual Report which are attached as Exhibit WWD-4, the FCG Annual Reports are both audited by Deloitte and also certified by the "responsible accounting officer" of FCG. The Annual Report also states the signing "responsible accounting officer" of FCG could be subject to criminal charges in the event of false information.

Q. DID FCG ADMIT THAT HUGE INCONSISTENCIES EXISTED IN THE NUMBERS FCG USED IN ITS DEPRECIATION STUDY COMPARED TO THE NUMBERS IN THE FCG ANNUAL REPORTS?

A. Yes. In response to discovery, FCG admitted in many accounts a huge "variance" existed between the numbers FCG used in its depreciation study compared to the numbers in the FCG Annual Reports. Below I have copied the 2021 data FCG provided in response to OPC discovery:[21]

[21] See Exhibit WWD-5, page 9 of 11. "OPC ROG 3-19 2021-2024 Transaction Periods (38660739.1)" provide by FCG in response to Citizens' Third Set of Interrogatories, Interrogatory No.19. Pages 9 and 10 of Exhibit WWD-5 also shows numerous large variations in the 2022, 2023, and 2024 vintages. This document is attached as Exhibit WWD-5.

Dunkel Comment:

	This Column Per FCG Annual Report	This Column Per FCG Sch J In Depr. Study:

From FCG response to OPC ROG 3-19:

Plant Account	Account Description	OPC ROG 2-8a - 2021 Additions	Retirements	Net Additions	Sch J Additions	Variance $	%
3750	Struc&Impr	$97,376		$97,376	$98,567	($1,191)	-1%
3761	Mains - Plastic (Formally Acct 3762)	$16,821,851		$16,821,851	$15,890,410	$931,441	6%
3762	Mains - Steel (Formally Acct 3761)	$5,565,780		$5,565,780	$546,527	$5,019,253	90%
3780	M&R Stat Eq-Gen	$569,979		$569,979	$31,663	$538,316	94%
3790	M&R Stat Eq-CGate	$1,333,472		$1,333,472	$1,199,726	$133,746	10%
3801	Services - Plastic (Formally Acct 3802)	$10,024,838	($528)	$10,025,366	$6,441,585	$3,583,781	36%
3802	Services - Steel (Formally Acct 3801)	$20,929		$20,929	$14,263	$6,666	32%
3810	Meters	$1,951,167	($8,140)	$1,959,307	$1,605,197	$354,110	18%
3812	Meters - ERT (Formally Acct 3811)	$751,626	($71,610)	$823,236	$639,123	$184,113	24%
3820	Meter Installs	$791,856	($41,411)	$833,267	$361,786	$471,481	60%
3821	Meters Installs - ERTs	$25,554	($6,858)	$32,412	$4,839	$27,574	108%
3830	House Reg	$767,916	($40,906)	$808,822	$745,283	$63,539	8%
3840	House Reg Installs	$125,567	($27,966)	$153,533	$85,421	$68,112	54%
3850	M&R Stat Eq-Ind	$353		$353	$190,574	($190,221)	-53887%
3870	Other Eq	$373,921		$373,921	$120,692	$253,229	68%
3900	Struc&Impr	$25,178		$25,178	$10,802	$14,376	57%
3960	Pwr Op Equip	$53,822		$53,822	$50,377	$3,445	6%

This shows that FCG admitted that for the majority of the accounts, there is a huge "Variance" between the number FCG used in its depreciation study compared to the number in the FCG Annual Reports. Both the "Net Additions" column (per the Annual Reports) and the "Sch J" column in the above table are at the same time (1/1/2025). There should be no variance.

Likewise, the FCG response to Citizens' Third Set of Interrogatories, Interrogatory No.19 also admits that in 2022, 2023, and 2024 there are numerous similar Variances in the data on which FCG is basing its proposed depreciation rates and surplus amounts, compared to the audited data from the FCG Annual Reports. This response is attached as Exhibit WWD-5.

Q. WHAT IS ONE EXPLANATION FCG PROVIDED FOR THESE HUGE DISCREPANCIES IN THE FCG DATA?

A. FCG said the following:

> **Supporting entries were not provided by FPL** with the reconciliation schedule; and therefore, **vintages for the correcting entries cannot be determined by FCG**. As a result, FCG continues to have confidence that its CRP records are the best option **and swiftest option** to provide the appropriate distribution of assets at 1/1/2025 to compute the average age calculation for adjusted accounts.[22] (Emphasis added)

FCG is saying that they are not sure of its data, as a result of the acquisition of FCG by Chesapeake Utilities Corporation in 2023. FCG says the correct numbers "cannot be determined by FCG."

Even though the correct numbers "cannot be determined by FCG", FCG says the Commission should use the numbers FCG has filed, because using them is the "swiftest option."

[22] See Exhibit WWD-5, page 6 of 11. From the FCG response to Citizens' Third Set of Interrogatories, Interrogatory No.18. The FCG responses to Citizens' Third Set of Interrogatories, Interrogatories Nos.17-19 are attached as Exhibit WWD-5.

In my opinion, it would be improper to base multimillion-dollar decisions on FCG's numbers, when FCG says the correct numbers "cannot be determined by FCG." Using these inaccurate numbers because that is the "swiftest" thing to do, is not proper.

Q. HAS FCG FURTHER SAID THEY DO NOT KNOW WHAT THE CORRECT NUMBERS ARE?

A. Yes. FCG said the following:

> Previously, attachment OPC ROG 2-8a Service Life Data provided additions based on what was stated on the original Sch G 202X **which may or may not have been the vintage total for the year.**[23] (Emphasis added)

Multi-million-dollar depreciation rate revisions should not be based on numbers "which may or may not" be correct.

Q. WHAT IS YOUR RECOMMENDATION?

A. I recommend the Commission find that the "study" provides an inadequate basis to make any changes and that the current depreciation rates remain in effect. The Commission should direct that a new, correct, depreciation study be filed as part of the coming rate case.

FPSC Rule 25-7.045, F.A.C., includes the following:

> (5) A depreciation study shall include:
>
> …
>
> h) The mortality and salvage data used by the company in the depreciation rate design **must agree with activity booked by the utility**. Unusual transactions not included in life or salvage studies, e.g., sales or extraordinary retirements, must be

[23] From the FCG response to Citizens' Third Set of Interrogatories, Interrogatory No.19 (d). The FCG responses to Citizens' Third Set of Interrogatories, Interrogatories Nos.17-19 are attached as Exhibit WWD-5.

specifically enumerated and explained. (Emphsis added)

The depreciation study FCG filed in this case directly and severely violates this requirement and therefore must be rejected.

The FCG response to Citizens' Third Set of Interrogatories, Interrogatory No.19 (Exhibit WWD-5) shows that in numerous accounts and in numerous years, the numbers FCG used to calculate its claimed depreciation rates and claimed reserve surplus are vastly inconsistent with the audited numbers in the Annual Reports, which were audited by Deloitte.

It would be improper to revise depreciation rates based on numbers which have been proven to be incorrect and which FCG admits "which may or may not" be correct. FCG says that the correct numbers "cannot be determined by FCG", but the correct, audited numbers are available as shown by the audited FCG Annual Reports. FCG using numbers that are provably extremely inaccurate is not valid evidence which would support changing the current depreciation rates.

A new depreciation study is not now due. A new depreciation study must be filed by May 31, 2027. The most recent prior depreciation study was filed on May 31, 2022.[24] Rule 25-7.045(4)(a), F.A.C., requires regulated gas utilities to file a depreciation study "…at least once every five years from the submission date of the previous study..." A depreciation study is not now due, and will not be due until May 31, 2027.

[24] See page 1 of the FCG 2025 Depreciation Study Narrative.

FCG witness Everngam's testimony indicates FCG is expecting to file a rate case in the near future, regardless of the outcome of this case.[25] Filing a new depreciation study as part of that general rate case proceeding would allow FCG the time it needs to better check its data to provide reliable depreciation information.

We have proven that the numbers FCG used to calculate its claimed depreciation rates and claimed reserve surplus are vastly inconsistent with the numbers in the Annual Reports, which were audited by Deloitte. This inaccurate data cannot reasonably be used as a basis for changing depreciation rates.

As noted above, I recommend the Commission find that the "study" provides an inadequate basis to make any changes and that the current depreciation rates remain in effect. The Commission should direct that a new, correct, depreciation study be filed as part of the coming rate case.

[25] Witness Everngam Direct testimony page 6, line 22 to page 7, line 1 states that even if the FCG proposal in this case was approved that would not "allow FCG to delay a rate case for two years." Also see page 7, lines 2-11 of Witness Everngam Direct testimony. So, it appears a rate case is coming soon.

K. DEPRECIATION EXPENSE IS AUTOMATICALLY ADJUSTED WHEN INVESTMENT IS ADDED

Q. WITNESS EVERNGAM SAYS THE FOLLOWING:

> **IT WAS ALSO IMPORTANT TO PROCEED WITH THIS DEPRECIATION STUDY TO ENSURE THAT RECENT CAPITAL INVESTMENTS FOR NEW CONSTRUCTION BY FCG, WHICH HAS TAKEN PLACE UNDER ITS NEW OWNERSHIP BY CUC, ARE ACCURATELY DEPRECIATED BASED UPON UPDATED LIVES AND SALVAGE VALUES THAT ALIGN WITH THOSE OF FPUC AND OTHER, SIMILARLY-SITUATED CUC AFFILIATES.[26]**

IS IT NECESSARY TO CHANGE THE DEPRECIATION RATES AS THE RESULT OF A CHANGE IN THE AMOUNT OF INVESTMENT IN AN ACCOUNT?

A. No. The depreciation expense is automatically adjusted when the investment changes. Each year or each month, a utility multiplies the Commission-approved depreciation rate times the then-current investment amount. If the investment was $1,000,000 and a 5% depreciation rate was approved, then the depreciation expense would be $50,000. If later the investment had grown to $2,000,000 then the 5% depreciation rate would produce a $100,000 depreciation expense.

[26] Page 5, lines 6-10 of Witness Everngam Direct testimony.

<u>III. ISSUE 2: BASED ON FCG'S 2025 DEPRECIATION STUDY, WHAT ARE THE APPROPRIATE DEPRECIATION PARAMETERS (E.G., SERVICE LIVES, REMAINING LIFE, NET SALVAGE PERCENTAGE, AND RESERVE PERCENTAGE) AND RESULTING DEPRECIATION RATES FOR EACH DEPRECIABLE PLANT ACCOUNT?</u>

Q. IS THERE A MAJOR PROBLEM WITH THE DETERMINATION OF THE PARAMETERS THAT FCG IS FILING IN THIS CASE?

A. Yes. There is a major conflict of interest in the preparation of the FCG filing. Under FCG's proposal, the money that is identified as a "surplus" in the depreciation reserve would be transferred to the owners. The amount of money which is claimed to be "surplus" is determined by the "parameters" selected. This creates a conflict of interest for the personnel selecting parameters to be proposed by FCG.

Q. IN MOST DEPRECIATION STUDIES, DOES THE AMOUNT THAT IS IDENTIFIED AS THE RESERVE SURPLUS GET TRANSFERRED OUT OF THE DEPRECIATION RESERVE TO THE OWNERS?

A. No. In most depreciation studies, the amount that is identified as the reserve surplus does not get transferred out of the depreciation reserve to the owners. A reserve surplus is the result of an over collection from ratepayers. In most cases any reserve surplus is returned to the ratepayers, often over time through the "remaining life" depreciation rates. Likewise, any reserve deficiency is collected from the ratepayers, often over time through the "remaining life" depreciation rates.

The fact that under the FCG proposal in this case, the amount identified as a "surplus" in the depreciation reserve would be transferred to the owners, creates an unusual conflict of interest in the selection of the parameters to be proposed in the FCG depreciation study.

A. FCG DID NOT FILE A COMPLETE DEPRECIATION STUDY.

Q. RULE 25-7.045 (4), F.A.C. STATES THE FOLLOWING REGARDING DEPRECIATION STUDIES:

> **(4)(A) EACH COMPANY SHALL FILE A STUDY FOR EACH CATEGORY OF DEPRECIABLE PROPERTY FOR COMMISSION REVIEW AT LEAST ONCE EVERY FIVE YEARS FROM THE SUBMISSION DATE OF THE PREVIOUS STUDY OR PURSUANT TO COMMISSION ORDER AND WITHIN THE TIME SPECIFIED IN THE ORDER.**

Q. WHAT IS A MAJOR PART OF A NEW DEPRECIATION STUDY?

A. When performing a new depreciation study several years after the prior study, you will have several years of new actual data which was not available at the time of the prior study. A major part of a new depreciation study is to do statistical analyses of the life and net salvage data, including the new data.

Q. WAS SEVERAL YEARS OF ADDITIONAL ACTUAL DATA AVAILABLE?

A. Yes. At the time FCG performed the depreciation study, there were four years of new actual data that was not in the 2022 Depreciation Study. The "2022 Gannett Fleming Depreciation Study" used actual data through 2020 (see page 59 of Exhibit NWA-1 in Docket No. 2022-0069-GU). In this case FCG had actual data available through 2024 at the time FCG performed the depreciation study.

Q. IN DIRECT TESTIMONY, WHAT DID WITNESS LEE ADMIT?

A . Witness Lee admitted the following:

> **Q. DID YOU PERFORM STATISTICAL ANALYSIS FOR YOUR PROPOSED LIFE OR SALVAGE FACTORS?**
>
> A. No, I didn't.
>
> **Q. PLEASE EXPLAIN.**
>
> A. I reviewed the statistical analysis presented in the 2022 Gannett Fleming Depreciation Study and decided there was no need for additional statistical analysis.[27]

Q DID FCG FILE A COMPREHENSIVE DEPRECIATION STUDY IN THIS PROCEEDING?

A. No. A major part of a comprehensive depreciation study is to analyze the actual experience data of that utility, including the new data from recent years. In the respected *Public Utility Depreciation Practices* written by the Staff Subcommittee on Depreciation of the National Association of Regulatory Utility Commissioners (NARUC), the first sentences in the Chapter entitled *Actuarial Life Analysis* are as follows:

> Knowing what happened yesterday may help one to better understand what is happening today and what may happen tomorrow. This is also true with depreciation studies. Historical life analysis is the study of past occurrences that may be used to indicate the future survivor characteristics of property. Accumulation of suitable data is essential in an historical life analysis.[28]

[27] Page 21, line 20 to page 22. Line 3, of Witness Lee's Direct Testimony.
[28] Page 111, *Public Utility Depreciation Practices (1996)* published by NARUC.

However, the FCG filing in this case did **not** include a statistical life analysis. Instead, it uses the same statistical life analysis from the prior study, but appears to think that by making different arguments the result will be different.

Q. WHAT DOES THIS MEAN?

A. The FCG filing in this case is not a new depreciation study. The statistical analyses used are from the prior case and included actual data only through 2020. I recommend that the Commission order that in the coming rate case, FCG file a new depreciation study which includes the statistical analyses for life and salvage factors which include the actual data after the year 2020.[29]

B. THE FCG CLAIM THAT RETIREMENTS OF LESS THAN 1% ARE "MEANINGLESS," IS A FALSE CLAIM.

Q. WHAT REASON DID FCG GIVE FOR NOT RELYING ON THE ACTUAL FCG AGED DATA?

A. Witness Lee said the following:

> For many FCG accounts, the historical average retirement rate as well as the recent 2001-2024 average retirement rate for each account has averaged less than one percent. This level of activity makes the results of any statistical analysis meaningless for developing life expectations. For this reason, reliance on industry averages is necessary.[30]

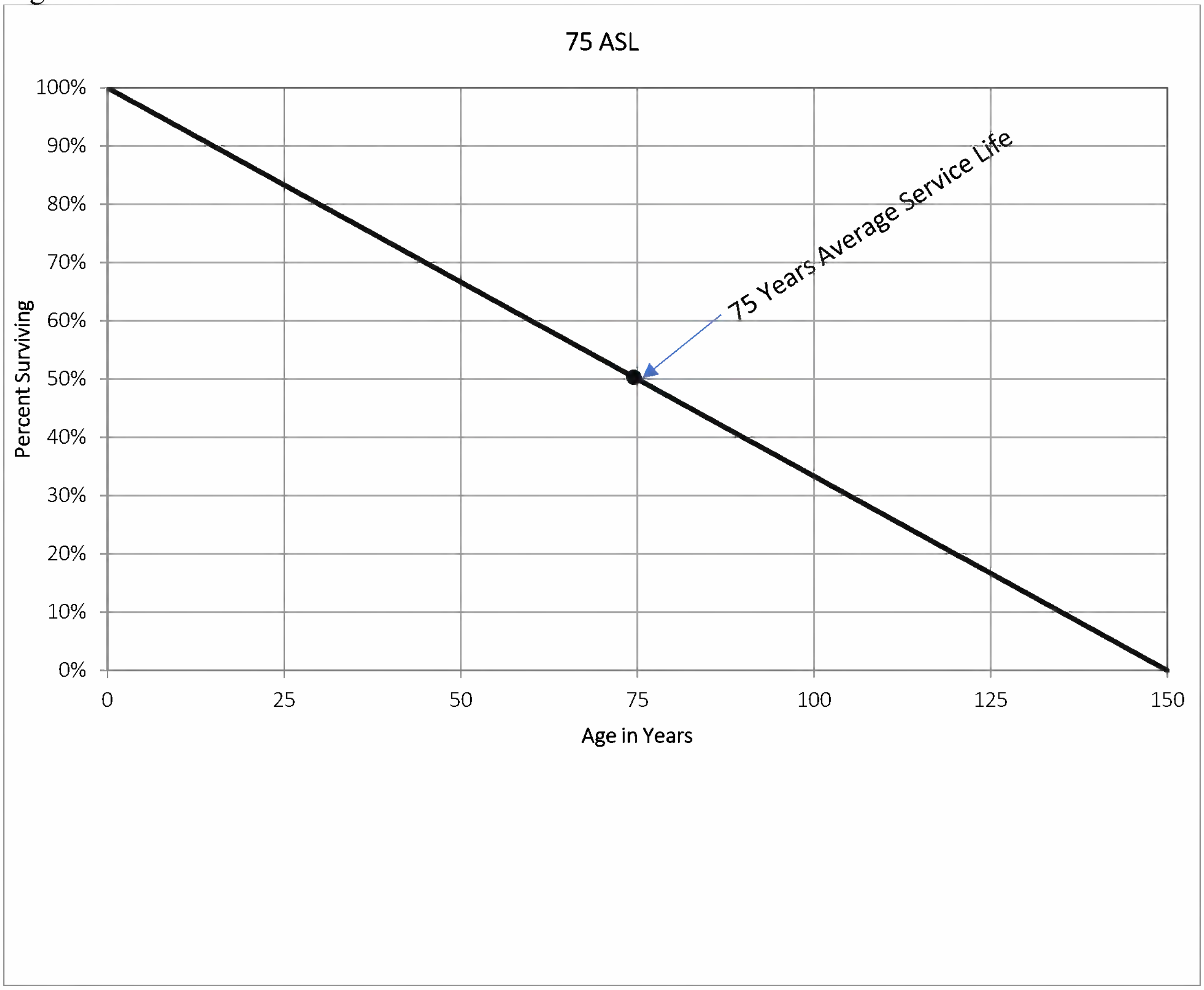
[29] Including the actual data that is available at the time the new depreciation study is prepared.
[30] Page 21, lines 11-15 of the Lee Direct.

Q. DOES THE FACT THAT THE "RETIREMENT RATE[S]" HAVE "AVERAGED LESS THAN ONE PERCENT" MEAN THAT DATA IS "MEANINGLESS FOR DEVELOPING LIFE EXPECTATIONS"?

A. Absolutely not. A low number of retirements over time indicates the facilities are having a long life.

For the largest account, Account 3761 Mains- Plastic, the average annual retirement rate **has to be less than 1%** to be consistent with the 75-year Average Service Life which both FCG and the Staff recommend. A 75-year Average Service Life does not mean all of the investment will be retired by the 75th year. At a 75-year ASL, some investment is still in service after age 75. Assuming the same retirement rate each year, the annual retirement rate would be 0.67% for a 75-year ASL. This is shown in the graph below:

Figure 3:



0.67 % of the investment retires each year. This is consistent with a 75-year ASL. 0.67% is a "retirement rate" which is "less than one percent" but that does not mean that data is "meaningless for developing life expectations." That retirement rate proves the investment are living a long life, such as a 75-year ASL.

Q. WHAT IS THE AVERAGE RETIREMENT RATE IF THE RETIREMENT RATE IS NOT THE SAME EACH YEAR?

A. The retirement rate expected each year varies depending on the Iowa Curve.

At the 75-year R2.5 Iowa Curve which FCG recommends, the retirement rates would vary by year but would average 0.73% per year.[31]

At a 75-year ASL with an R4 Iowa Curve that the Staff Report recommends, the retirement rates would vary by year but would average 0.88% per year.[32]

For FCG to claim the fact that the retirement rate is less than 1.00% means there's something wrong with the data, is entirely false. At a 75-year ASL, the average retirement rate has to be less than one percent per year, under most common Iowa Curves.

Q. DOES THE NARUC *PUBLIC UTILITY DEPRECIATION PRACTICES* STATE THAT IF THE RETIREMENT RATE IS LESS THAN 1%, THAT INDICATES THE DATA IS INSUFFICIENT OR UNRELIABLE?

A. No. The *Public Utility Depreciation Practices,* published by NARUC (1996) is a 332-page book authored by the NARUC Staff Subcommittee on Depreciation.

In discovery we asked FCG The following:

> Please cite which page in Public Utility Depreciation Practices, published by NARUC (1996) says that retirement rates (or retirement ratios) of less than 1 % are not reliable.

The Company response begins as follows:

> **Company Response:**
> a. **<u>There is no specific cite from *Public Utility Depreciation Practices.* The statement is based on Ms. Lee's vast depreciation experience</u>**. Stated simply,

[31] In a 75-year R2.5 Iowa Curve the last investment retires at age 138. This is an average annual retirement rate of 0.73%.

[32] In a 75-year R4 Iowa Curve the last investment retires at age 113. This is an average annual retirement rate of 0.88%.

> when retirement rates average less the 1%, the results of statistical analysis are considered meaningless for service life or net salvage projections, because there is not a reasonable sample size upon which to conduct the statistical analysis.[33] (Emphasis added).

Witness Lee's claim that if retirement rates have "averaged less than one percent" means that data is "meaningless," is not a rule accepted by the NARUC *Public Utility Depreciation Practices*.

Q. CAN YOU PROVIDE FURTHER PROOF THAT THE CLAIM THAT RETIREMENT RATES HAVE "AVERAGED LESS THAN ONE PERCENT" MEANS THAT DATA IS "MEANINGLESS FOR DEVELOPING LIFE EXPECTATIONS" IS A FALSE CLAIM?

A. Yes. In the USA, whenever someone dies, a death certificate is issued, and government agencies track and analyze that data. 0.75 % of the US population died in the year 2023, and 0.799 % of the US population died in the year 2022.[34] Those are well less than 1.00%. Of course, the fact that the actual data shows that less than 1% of the population dies per year does not mean that data is "meaningless." What it means is that less than 1% of the population dies per year.

If someone declared that since the actual data shows that less than 1% of the U.S. population dies per year that data is "meaningless for developing life expectations" and

[33] See Exhibit WWD-6, page 2 of 2. FCG response to Citizen's Second Set of Interrogatories, Interrogatory No. 16(a).
[34] Mortality in The United States, 2023-NCHS Data Briefs. "http://www.ncbi.nlm.nih.gov/books", visited 9-12-2025, U.S. Centers for Disease Control and Prevention (CDC).

therefore, the recommended life expectancy of the U.S. population would be based on the life expectancy in Cuba, in Mexico, etc., that would be unreasonable.

C. FCG MISCALCULATES THE RETIREMENT RATES.

Q. IS THERE A PROBLEM IN THE FCG CALCULATION OF WHAT IT CALLS THE RETIREMENT RATES?

A. Yes. These calculations in the FCG filing divide dollar amounts which were recorded more recently, by dollar amounts that were recorded farther back in the past. Because of inflation, the number of dollars of original cost for an item which was installed decades ago, (for which the original cost was recorded in dollars decades ago), is a much lower number of dollars than the cost of a similar item which was recently installed (for which the original cost was recorded in recent dollars). For example, the Consumer Price Index-Urban states that the Cost of a Basket of Goods and Services which cost $113.60 in 1987 dollars would cost $270.97 in 2021 dollars. For a basket of goods and services, the number of dollars in 2021 dollars is 2.4 times the number of dollars in 1987 dollars.

On Schedule F-1, for Account 3761, Mains-Plastic, FCG calculates what is called the Retirement Rate by dividing the Original Cost of the items that **retired** in the year 2024, by the Original Cost of the Plant in Service at the end of 2024. In the numerator, the units which retired in 2024 tend to be at the end of their lives, and their Original Costs amounts were recorded decades ago, on average. The denominator of the FCG calculation is the original cost of the plant in service at the end of the year 2024. The majority of the dollar amounts in this plant in service in the denominator were recorded in more recent years.

For comparison, in the prior depreciation study the Retirement Ratios were calculated using amounts in the numerator which were the **same age** as the amounts in the denominator. For example, in the prior FCG depreciation study, for Services, the Retirement Ratio for investments as age 20.5 was calculated by dividing the dollar amount of Retirements, which were age 20.5, by the dollar amount of Exposures, which were also age 20.5.[35]

D. CIRCULAR LOGIC

Q. PLEASE PROVIDE AN EXAMPLE OF CIRCULAR LOGIC.

A. Assume there were only two regulated gas distribution utilities in the state: Utility A and Utility B. When Utility A files its depreciation study, it does not analyze the actual data it has showing how long its investments actually live, but instead Utility A proposes that it use the same lives that utility B uses.

Later, when Utility B files its depreciation study, it does not analyze the actual data it has showing for how long its investments actually live, but instead Utility B proposes that it use the same lives that Utility A uses.

Utility A uses lives because Utility B uses them, and Utility B uses lives because Utility A uses them. That is circular logic.

[35] Page 64 of Exhibit NWA-1, 2022 Depreciation Study, in Docket No. 20220069-GU.

Q. IS THE FCG PRESENTATION IN THIS PROCEEDING BASED UPON CIRCULAR LOGIC?

A. Yes. Page 15 of the FCG Depreciation Study,[36] authored by witness Lee, says the following:

> Plastic services are likely to experience life expectancies longer than 50 years. The retirement rate for the account during the 2021-2024 period has averaged less than 1%. In fact, the retirement rate for the 2004-2024 also averaged less than 1%. This activity makes results of statistical analysis for life and salvage factors meaningless. Other gas companies in Florida have estimated average service lives ranging from 40 years to 55 years, averaging 48 years.

Similar claims appear several times in the FCG filing.

Q. DID FCG SHOW WHAT OTHER "GAS COMPANIES IN FLORIDA" IT HAD USED TO CALCULATE THE FLORIDA AVERAGE?

A. Yes. This is shown on FCG Exhibit PSL-4, page 1. FCG calculated the Florida Average of the ASL of an account as the average of the ASL for that account of the following four utilities: (1) St. Joe, (2) Peoples Gas, (3) FPUC, and (4) Sebring Gas.[37]

Q. STARTING WITH FPUC, IN THE FPUC CASE, DID WITNESS LEE BASE THE ASLS FILED FOR FPUC ON THE ACTUAL FPUC DATA?

A. No. In the FPUC case, witness Lee said the ASLs for FPUC should be based on the lives of the "other Florida gas utilities." The Order in the FPUC case says the following regarding witness Lee:

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[36] Composite Exhibit PSL-2 (Narrative) page 15.
[37] FCG Exhibit PSL-4, page 1.

> Witness Lee explained that retirement rates for FPUC averaged less than one percent since the last depreciation study for many accounts, which provided insufficient data to perform any meaningful statistical analyses for life characteristics, which **led her to rely on life characteristics for similar plant of other Florida gas companies** to make a complete analysis.[38] (Emphasis added)

Of course, for FPUC, FCG is one of the "other Florida gas companies." This is circular logic.

Q. ARE TWO OF THE FOUR UTILITIES WHICH FCG INCLUDED IN ITS "FLORIDA AVERAGE" TINY COMPARED TO FCG?

A. Yes. Florida City Gas has 125,000 customers.[39] Listed below are the approximate number of Florida gas customers of each of the other Florida gas companies:

Other Florida gas utilities	Customers
Sebring Gas System:[40]	711
St. Joe Natural Gas Company:[41]	2,878
Florida Public Utilities Company:[42]	100,000
Peoples Gas Service:[43]	470,000

Two out of the four "other Florida gas utilities" that FCG used in the averages FCG relied on, are **tiny** compared to FCG.

[38] See WWD Exhibit-8, page 2 of 3. Page 15, Order No. PSC-2023-0103-FOF-GU.
[39] See Exhibit WWD-7, page 9 of 9. FCG response to Citizens' Second Set of Interrogatories, Interrogatory No. 6(a).
[40] See Exhibit WWD-7 page 5 of 9. Page 1 of Order No. PSC-2022-0153-PAA-GU issued April 22, 2022, in Docket No. 20210183-GU.
[41] See Exhibit WWD-7 page 6 of 9. Page 1 of Order No. PSC-2023-0215-PAA-GU issued July 26, 2023, in Docket No. 20230022-GU.
[42] See Exhibit WWD-7 page 9 of 9. FCG response to Citizens' Second Set of Interrogatories, Interrogatory No. 6 (a).
[43] See Exhibit WWD-7 page 4 of 9. Page 4, Order No. PSC-2023-0388-FOF-GU issued December 27, 2023, in Docket No. 20230023-GU.

The Company response to Citizens' Second Set of Interrogatories, Interrogatory No. 16(a).) begins as follows:

> **Company Response:**
> a. There is no specific cite from *Public Utility Depreciation Practices.* The statement is based on Ms. Lee's vast depreciation experience. Stated simply, when retirement rates average less the 1%, the results of statistical analysis are considered meaningless for service life or net salvage projections, because there is **not a reasonable sample size upon which to conduct the statistical analysis**.[44] (Emphasis added).

If the "sample size" for FCG, which has 125,000 customers, is allegedly too small, then it is totally unreasonable for FCG to significantly rely upon life information for Sebring, which has 711 customers and would therefore have a "sample size" approximately 1/175th the size of FCG, but that is what FCG has filed. [45]

If the "sample size" for FCG, which has 125,000 customers, is allegedly too small, then it is totally unreasonable for FCG to rely upon life information for St. Joe, which has 2,878 customers and would therefore have a "sample size" approximately 1/44th the size of FCG, but that is what FCG has filed. [46]

Q. HAS WITNESS LEE STATED THAT UTILITIES WHICH ARE A DIFFERENT SIZE CANNOT BE USED AS A PROXY?

A. Yes. In the FPUC case, the Order discusses and quotes the witness Lee testimony as follows:

> Witness Lee also testified that the customer sizes of witness Garrett's out-of-state proxy companies make them poor proxies for FPUC. She points out that Liberty

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[44] See Exhibit WWD-6, page 2 of 2. FCG response to Citizens' Second Set of Interrogatories, Interrogatory No. 16(a).
[45] 711/125,000 = 1/175.
[46] 2,873/125,000 = 1/44.

> has approximately 60,000, NIPSCO has approximately 821,000, and Piedmont Natural Gas has 157,000 customers, while FPUC has approximately 108,000. **Witness Lee stated that, "The operational characteristics and demand on assets between these different sized companies can create different accounting and operation process dynamics for each company**."[47] (Emphasis added).

In the FPUC case, witness Lee said utilities which are a different size cannot be used as a proxy, but in this case witness Lee is basing parameters for FCG, which has 125,000 customers, substantially on parameters for Sebring, which has 711 customers, and on parameters for St. Joe, which has 2,878 customers. That is not reasonable.

Q. SHOULD THE FCG TESTIMONY ON LIVES BE ACCEPTED?

A. No. The FCG testimony on lives is based on circular logic and on assuming that the data from FCG is too small of a "sample size," while pretending that information about utilities that are a tiny compared to FCG, is not too small of a "sample size."

I recommend that the Commission order that in the coming rate case, FCG file a new depreciation study which includes the statistical analyses for life factors which include the actual data after the year 2020.[48]

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[47] See Exhibit WWD-8 page 3 of 3. Page 19, Order No. PSC-2023-0103-FOF-GU in Docket No. 20220067-GU.
[48] Including the actual data that is available at the time the new depreciation study is prepared.

E. NET SALVAGE

Q. WHAT CHANGE IN NET SALVAGE DOES FCG PROPOSE FOR THE LARGEST ACCOUNTS?

A. There are three accounts which each contain more than $100 million in investment. These three accounts contain 73% of all the total depreciable gas plant.[49] In **each of these three accounts**, FCG proposed to change the currently approved net salvage factor in the **direction which increases the calculated reserve surplus**. This is shown in the following table:[50]

Figure 4:

	Net Salvage Factor		
	Currently Approved For FCG	FCG Proposed	Change
Accounts 3761, Mains -Plastic	(33)	(30)	3
Account 3762, Mains – Steel	(50)	(40)	10
Account 3801, Service – Plastic	(68)	(40)	28

[49] Accounts 3761, Mains -Plastic, Account 3762, Mains – Steel and Account 3801, Service – Plastic. 73% calculated from Schedule A of the FCG Exhibit PSL-2.
[50] Source for FCG Current and FCG Proposed is FCG Exhibit PSL-2, Schedule B.

Making the net salvage factor a smaller negative number increases the claimed reserve surplus. In every one of the three largest accounts, FCG is proposing to change the net salvage factor **<u>in the direction that increased the claimed reserve surplus</u>**. Any money labeled as "surplus" would be taken by the investors, under the improper FCG proposal in this case.

Q. THE LARGEST FCG PROPOSED CHANGE ON THE TABLE ABOVE IS THAT FCG PROPOSES CHANGING THE NET SALVAGE PERCENT FOR ACCOUNT 3801, SERVICE – PLASTIC FROM (68)% TO (40)%. WHAT IMPACT DOES THAT ONE PROPOSED CHANGE HAVE?

A. This one proposed change increases the amount of the claimed surplus by $6 million. This $6 million is included in the $22 million alleged surplus that would be given to the owners under the FCG proposal.

<u>F. THE FACTS IN THIS CASE DO NOT SUPPORT CHANGING THE NET SALVAGE FROM (68)% TO (40)% IN SERVICE PLASTIC.</u>

Q. FCG SAYS THAT "…IT WAS NECESSARY TO RELY ON LIFE CHARACTERISTICS FOR SIMILAR PLANT OF OTHER FLORIDA GAS UTILITIES TO MAKE A COMPLETE ANALYSIS."[51] WHAT DO THE PARAMETERS OF "OTHER FLORIDA GAS UTILITIES" SHOW FOR NET SALVAGE FOR SERVICE- PLASTIC?

A. For Florida gas customers other than FCG, 82 percent of those Florida gas utilities' customers are served by Peoples Gas[52] which has an approved (75) % net salvage for Service-Plastic.[53]

FCG's proposal to move from (68) % to a (40) % net salvage is moving away from (75) % net salvage that currently applies to 82 percent of the other Florida gas utilities customers.

When we also include all of other smaller Florida gas utilities, the average approved net salvage for Florida gas customers, other than FCG, is (67) %.[54] That is very close to the (68) % which is currently approved for FCG. The (67) % average for other Florida utilities is far removed from the (40) % to which FCG proposes to move.

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[51] Page 23, lines 21-23, Direct Testimony of Witness Lee.
[52] See Exhibit WWD-7. As shown on Exhibit WWD-7 page 4 of 9 (Order No. PSC-2023-0388-FOF-GU, p. 4) Peoples Gas serves approximately 470,000 gas customers/ 573,589 (Exhibit WWD-7) total Florida (Commission-regulated/investor-owned) gas customers (other than FCG) = 82%.
[53] See Exhibit WWD-10 page 2 of 2. Order No. PSC-2023-0388-FOF-GU, page 22, Table 2, Commission-Approved Depreciation Parameters and Resulting Remaining Life Depreciation Rates for Peoples Gas System.
[54] See Exhibit WWD-7, page 1 of 9.

Q. DO THE FCG-SPECIFIC NUMBERS FILED BY FCG SUPPORT MOVING TO A (40) % NET SALVAGE?

A. No. Schedule Q in FCG Exhibit PSL-2 Revised shows that for Account 3801 Service-Plastic the Net Salvage Percent in the "Five Year Average" (2020-2024) is (132) %, as calculated by FCG. FCG's proposal to move from (68) % to (40) % is moving away from (132) % that FCG has calculated as being shown by the FCG actual experience.

For Service – Plastic, the table below compares the FCG actual net salvage data and the average for other Florida gas customers to the FCG current and FCG proposed net salvage percent.

Figure 5:

Net Salvage Percent				
	Average Approved For Other Florida Gas Customers	FCG Last Five Year Average, Per FCG Schedule Q.	Currently Approved For FCG	FCG Proposed
Account 3801, Service – Plastic	(67)	(132)	(68)	(40)

As can be seen above, FCG's proposal to move from the current (68)% to (40)% is contrary to even the net salvage data as calculated and filed by FCG.[55] But, by FCG proposing this

[55] Using the data as even calculated by FCG to impeach the FCG proposal, does not imply that I have checked or necessarily support those numbers as calculated by FCG. But the fact the numbers calculated by FCG do not support the FCG proposal demonstrates the weakness of the FCG proposal.

drastically, and unsupported, change in the net salvage for Service – Plastic, $6 million more would be claimed to be "surplus" and would be transferred from the depreciation reserve to the owners, compared to using the currently-approved (68)%. Any money labeled as "surplus" would be taken by the investors, under the improper FCG proposal in this case.

Q. WHAT DID FCG SAY TO TRY TO SUPPORT ITS PROPOSAL TO MOVE FROM A (68) % TO A (40) % NET SALVAGE FOR SERVICE – PLASTIC.

A. Regarding Account 3801: Services - Plastic, Composite Exhibit PSL-2 (Narrative), page 15 states the following:

> FCG has a program to replace mains and services running through less assessable parts of customer property (e.g., backyards) with mains and services located in more accessible areas.

It also states the following regarding Account 3801: Services – Plastic:

> At this time, the Company proposes a decrease to (40)% net salvage given easier accessibility to the retired service as well as projections from other Florida gas utilities.[56]

First of all, the approved net salvage percents applied to the customers of "other Florida gas utilities" averages (67) % for Services – Plastic, as is shown on Exhibit WWD-7.

In addition, the claimed higher Cost of Removal for the services in the "less assessable parts of customer property (e.g., backyards)" were primarily **steel** services, which are in a different account from the plastic services.

[56] Composite Exhibit PSL-2 (Narrative), pages 15-16.

It is not **plastic** mains and services FCG is retiring from the "less assessable parts of customer property (e.g., backyards)" to be replaced in more accessible areas.

In response to discovery, FCG said:

> "Based on FCG's records, there were 204 plastic services retired in 2024."[57]

However, **none** of those **plastic** services retired were retired from "less assessable parts of customer property (e.g., backyards)" and replaced with "services located in more accessible areas."

In discovery we asked FCG the following:

> Please state separately for each of the years 2024, 2023, 2022, and 2021 how many service lines **which were plastic** and **were in "less assessable parts** of customer property (e.g., backyards)" FCG retired and replaced with "services located in more accessible areas"?[58]

The FCG answer stated that in 2024 "no plastic services" retired from less assessable parts of customer property (e.g., backyards) and were replaced with services located in more accessible areas. [59]

We also asked the following in discovery:

> (b) Please state "yes" or "no" whether it is correct that the majority of the "mains and services running through less assessable parts of customer property (e.g., backyards)" which were replaced were **steel** mains and service lines?

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[57] See Exhibit WWD-9 page 3 of 4. Citizens' Fourth Set of Interrogatories, Interrogatory No. 23 (d).
[58] See Exhibit WWD-9 page 3 of 4. Citizens' Fourth Set of Interrogatories, Interrogatory No. 23, Request (e). Emphasis in the original.
[59] See Exhibit WWD-9 page 3 of 4. Citizens' Fourth Set of Interrogatories, Interrogatory No. 23 Response (e).

FCG answered "Yes"[60]

We asked the following in discovery:

> (c) Please state "yes" or "no" whether it is correct that when FCG replaced the "mains and services running through less assessable parts of customer property (e.g., backyards) with mains and services located in more accessible areas" the majority of the "mains and services located in more accessible areas" were **plastic** mains and services?

FCG answered "Yes,"[61]

The claim that the Cost of Removal for Service-Plastic will be much less in the future than it has been in the past, because [allegedly] plastic services are being retired from "less assessable parts of customer property (e.g., backyards)" and replaced with plastic "services" located in more accessible areas" does not appear to be true. The number of plastic service lines that happened to in 2024 is **zero,** and FCG did not have data showing it happened in any of the other years we asked about.[62]

G. THE FACTS IN THIS CASE DO NOT SUPPORT CHANGING THE NET SALVAGE FROM (50) % TO (40) % IN THE MAINS -STEEL ACCOUNT.

Q. ABOVE YOU DISCUSSED THE FCG PROPOSED NET SALVAGE CHANGE TO SERVICE-PLASTIC. FOR THE LARGE ACCOUNTS, WHAT IS THE SECOND LARGEST CHANGE IN NET SALVAGE PERCENT THAT FCG PROPOSES?

A. Among the three largest accounts, the second largest change in net salvage percentage that FCG proposes is the FCG proposal to change the currently approved (50) % to (40) % for

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[60] See Exhibit WWD-9 page 3 of 4. Citizens' Fourth Set of Interrogatories, Interrogatory No. 23 (b).
[61] See Exhibit WWD-9 page 3 of 4. Citizens' Fourth Set of Interrogatories, Interrogatory No. 23 (c).
[62] See Exhibit WWD-9 page 3 of 4. Citizens' Fourth Set of Interrogatories, Interrogatory No. 23 (e).

Mains-Steel. Not surprisingly, this FCG proposal to change is also in the direction which would increase the amount of the claimed reserve surplus. FCG proposed net salvage change in this account increases the amount of claimed surplus by $4 million. This $4 million is included in the $22 million alleged surplus that would be given to the owners under the FCG proposal.

Q. FOR THE MAINS-STEEL ACCOUNT, COMPARE THE FCG ACTUAL NET SALVAGE DATA AND THE AVERAGE FOR OTHER FLORIDA GAS CUSTOMERS TO THE FCG CURRENT AND FCG PROPOSED NET SALVAGE PERCENT.

A. For Mains-Steel, the table below compares the FCG actual net salvage data, and the average for other Florida gas customers, to the FCG current and FCG proposed net salvage percent.

Figure 6:

	Net Salvage Percent			
	Average Approved For Other Florida Gas Customers	FCG Last Five Year Average, Per FCG Schedule Q.	Currently Approved For FCG	FCG Proposed
Account 3762, Mains – Steel	(56)	(73)	(50)	(40)

As can be seen above, the FCG proposal to move from the current (50)% to (40)% is contrary to even the net salvage data as calculated and filed by FCG.[63] But this FCG-proposed change in the net salvage for Account 3762, Mains – Steel increases the amount of its claimed reserve surplus by $4 million, which $4 million would be transferred to the owners. Any money labeled as "surplus" would be taken by the investors, under the improper FCG proposal in this case.

Q. WHAT IS YOUR RECOMMENDATION ON ISSUE 2, WHICH REFERS TO PARAMETERS?

A. The fact that under the FCG proposal, the money that is identified as a "surplus" in the depreciation reserve would be transferred to the owners, creates a strong conflict of interest in the FCG selection of parameters. The amount of money which is claimed to be "surplus" is largely determined by the "parameters" selected.

The testimony above shows that the net salvage factors FCG is recommending are contrary to the data for both the Account 3801, Service – Plastic and Account 3762, Mains – Steel. These two incorrect net salvage percentages create almost one half of the $22 million reserve surplus that FCG claims. This can be seen by comparing Schedule E as filed by the

[63] Using the data as even calculated by FCG to impeach the FCG proposal, does not imply that I have checked or necessarily support those numbers as calculated by FCG. But the fact the numbers calculated by FCG do not support the FCG proposal demonstrates the weakness of the FCG proposal.

Company[64] compared to Schedule E with the currently approved net salvages for these two accounts.[65]

All of the parameters that FCG is proposing were prepared under the same conflict of interest which is created by the fact that under the FCG proposal, money that is identified as a “surplus” in the depreciation reserve would be transferred to the owners.

As discussed elsewhere, my recommendation is that this case be closed and the current depreciation rates remain in effect, and that a new, correct, depreciation study be filed as part of the coming rate case. By then FCG will have had more time to assemble more accurate data, and to conduct a statistical analysis of the data. A new depreciation study does not have to be filed until May 31, 2027.

I also recommend that any reserve imbalance, in the case of a surplus, be returned to ratepayers, and in the case of a deficiency, be charged to the ratepayers through the “remaining life” depreciation rates. The fact that in the rate case any alleged “surplus” would not go to the owners, would reduce the conflict of interest when determining the parameters in that new FCG depreciation study.

[64] See Exhibit WWD-11.
[65] See Exhibit WWD-12. I am not recommending the reserve surplus shown on Exhibit WWD-12. This is used only to illustrate the large impact of only two corrections. This does not imply that no other corrections are appropriate.

<u>IV. ISSUE 3: BASED ON THE APPLICATION OF THE DEPRECIATION PARAMETERS THAT THE COMMISSION HAS DEEMED APPROPRIATE TO THE FCG'S DATA, AND THE COMPARISON OF THE THEORETICAL RESERVES TO THE BOOK RESERVES, WHAT, IF ANY, ARE THE RESULTING IMBALANCES?</u>

Q. CAN THE DOLLAR AMOUNT OF RESERVE IMBALANCE REASONABLY BE DETERMINED BASED ON THE RECORD IN THIS CASE?

A. No. As previously discussed, there are huge and numerous "Variances" in the data on which FCG is basing its proposed depreciation rates and surplus amounts, compared to the audited data from the FCG Annual Reports. The FCG response which admits this is attached as Exhibit WWD-5. Further, FPSC Rule 25-7.045(5)(h), F.A.C., states that in a "depreciation study" the data used "must agree with activity booked by the utility."

As discussed elsewhere, my recommendation is that the Commission find that the "study" provides an inadequate basis to make any changes, and that the current depreciation rates remain in effect. The Commission should direct that a new, correct, depreciation study be filed as part of the coming rate case. By then FCG will have had more time to assemble more accurate data and perform the statistical analyses. A new depreciation study does not have to be filed until May 31, 2027.

<u>V. ISSUE 4: WHAT, IF ANY, CORRECTIVE DEPRECIATION RESERVE MEASURES SHOULD BE TAKEN WITH RESPECT TO ANY IMBALANCES IDENTIFIED IN ISSUE 3?</u>

Q. WHAT, IF ANY, CORRECTIVE DEPRECIATION RESERVE MEASURES SHOULD BE TAKEN WITH RESPECT TO ANY IMBALANCES?

A. Any depreciation reserve imbalance identified in the new depreciation study to be filed in the coming rate case should be addressed in the remaining life calculations.

As witness Lee states:

> The use of the remaining life technique incorporates a self-correcting mechanism that will adjust for any over- or under-recoveries that have occurred. The remaining life technique ensures that the full-service value of the associated assets is recovered through depreciation expense.[66]

The new depreciation rates should become effective at the same time as the new tariffs/prices charged to ratepayers become effective. These proper actions would recover any reserve deficiency from the ratepayers or return any reserve surplus to the ratepayers.

VI. ISSUE 5: WHAT SHOULD BE THE IMPLEMENTATION DATE FOR REVISED DEPRECIATION RATES AND AMORTIZATION SCHEDULES?

Q. WHAT IMPLEMENTATION DATE DO YOU RECOMMEND FOR REVISED DEPRECIATION RATES AND AMORTIZATION SCHEDULES?

A. As was done in the prior FCG case, I recommend that the new depreciation rates and amortizations become effective at the same time as the new tariffs/prices charged to ratepayers become effective in the coming rate case. This, along with recovering any reserve imbalance in the remaining life calculations, would recover any reserve deficiency from the ratepayers, or return any reserve surplus to the ratepayers. This is fair to both investors and ratepayers.

In the prior case, Docket No 20220069-GU, the prices/tariffs charged to ratepayers were changed concurrently with the change in the depreciation rates.

In response to discovery, FCG's answer begins as follows:

[66] Page 24, line 22 to page 25, line 3, testimony of witness Lee.

FCG agrees that, as part of its petition for a base rate increase in Docket No 20220069-GU, an implementation date for revised depreciation rates was requested effective with the date of FCG's new revenue rates.[67]

A. FCG PROPOSES NO REDUCTION IN THE DEPRECIATION EXPENSE CHARGED TO RATEPAYERS, BUT TO REDUCE THE DEPRECIATION EXPENSE RECORDED IN THE RESERVE.

Q. WHAT IS ONE THING FCG PROPOSES IN THIS CASE?

A. In this case, FCG proposes **no** reduction in the depreciation expense collected from ratepayers but proposes to reduce the amount of depreciation expense recorded in the Depreciation Reserve.

Q. PLEASE PROVIDE AN ANALOGY TO WHAT FCG IS PROPOSING IN THIS CASE.

A. Assume that you had opened a holiday account at a bank. You deposit $100 per month and at the end of the year that money will be available for the holidays. For the first two months you deposit $100 per month, and the bank puts your $100 into your account. However, after a few months, when you deposit your $100, the bank puts $60 into your account, and the bank owner takes $40 and puts that $40 in his or her pocket. This continues every month. Of course, this is improper but is it a good analogy to what FCG is proposing.

[67] See Exhibit WWD-13 page 2 of 3. Citizens' Second Set of Interrogatories, Interrogatory No. 13 (a).

Q. IN A RATE CASE, IS DEPRECIATION EXPENSE RECOVERED FROM RATEPAYERS?

A. Yes. In a rate case, depreciation expense is one of the costs that are recovered from the ratepayers. So, an amount to cover the depreciation expense is recovered from the ratepayers in the prices/tariffs.

Another thing that occurs each month is that an amount equal to the depreciation expense is credited into the Depreciation Reserve, Account 108.[68] So the money collected from the ratepayers for depreciation is credited into the depreciation reserve.

Q. WHAT HAPPENS WHEN THE DEPRECIATION RATES ARE REDUCED, BUT THE PRICES / TARIFFS CHARGED TO THE RATEPAYERS FOR DEPRECIATION ARE <u>NOT</u> REDUCED?

A. When the depreciation rates are reduced outside of a rate case, the lower depreciation rates reduces the amount of recorded depreciation expense, which reduces the amount that is being credited into the depreciation reserve. But that does not reduce the prices/rates charged to the ratepayers for depreciation expense. This is similar to the analogy I previously presented, where $100 per month is being collected, but only $60 per month is being credited into the account.

[68] This accounting could be done monthly or annually. The FERC Uniform System of Accounts (CFR Title 18, Vol 1, Part 201) requires the following:

> **108 Accumulated provision for depreciation of gas utility plant.**
> A. This account shall be credited with the following:
> (1) Amounts charged to account 403, Depreciation Expense…

Q. DOES FCG ADMIT THE CHANGE IN THE DEPRECIATION RATES IN THIS CASE WILL NOT RESULT IN CHANGING THE PRICES/TARIFFS CHARGED TO RATEPAYERS?

A. Yes. We asked the following in discovery:

> Does FCG agree that the change in depreciation rates proposed by Florida City Gas in the current proceeding is not part of a petition for a base rate increase, and if accepted, no change to the prices/tariffs charged to ratepayers would be effective at approximately the same time changes to the depreciation rates to be booked would be effective?

FCG's answer begins as follows:

> Correct. Revised depreciation rates approved in the instant depreciation study, assuming a January 1, 2025 effective date as proposed, will not affect current prices/tariffs charged to ratepayers whether that change results in an increase or a decrease in depreciation expenses. [69]

Q. IS THIS DIFFERENT THAN WHAT OCCURRED IN THE PRIOR FCG DEPRECIATION STUDY?

A. Yes, in the prior case, Docket No 20220069-GU, the prices/tariffs charged to ratepayers were changed concurrent with the change in the depreciation rates.

In response to discovery, FCG's answer begins as follows:

> FCG agrees that, as part of its petition for a base rate increase in Docket No 20220069-GU, an implementation date for revised depreciation rates was requested effective with the date of FCG's new revenue rates.[70]

[69] See Exhibit WWD-13 page 3 of 3. Citizens' Second Set of Interrogatories, Interrogatory No. 13 (b).
[70] See Exhibit WWD-13 page 2 of 3. Citizens' Second Set of Interrogatories, Interrogatory No. 13 (a).

Q. PLEASE EXPLAIN WHY IT IS IMPROPER TO BREAK THE CONNECTION BETWEEN THE DEPRECIATION COLLECTED FROM THE RATEPAYERS AND THE DEPRECIATION THAT IS CREDITED INTO THE DEPRECIATION RESERVE.

A. Page 187 of the respected *Public Utility Depreciation Practices* published by the National Association of Regulatory Utility Commissioners ("NARUC") states the following:

> In many regulatory customer rate-setting procedures, the depreciation reserve is a deduction from rate base. Therefore, it is desirable that the depreciation reserve be as accurate as possible.

If the amount of depreciation expense that is being recorded in the Depreciation Reserve is not based upon the depreciation expense that is being collected from the ratepayers, that makes the Depreciation Reserve less accurate, which makes the rate base and the amount of return on rate base the investors receive less accurate.

VII. ISSUE 7: SHOULD THIS DOCKET BE CLOSED?

Q. SHOULD THIS DOCKET BE CLOSED?

A. Yes. For the reasons discussed in this testimony, I recommend this case be closed and the current depreciation rates remain in effect. A new depreciation study is not due until May 31, 2027, which will be five years after the filing of the last FCG depreciation study.[71]

I recommend that a new, correct, depreciation study be filed as part of the coming rate case. I recommend that include the statistical analysis of the life data.

[71] What FCG filed in this case is not a full depreciation study, as discussed elsewhere in this testimony.

The FCG response to Citizens' Third Set of Interrogatories, Interrogatory No. 19, (Exhibit WWD-5) shows that in numerous accounts and in numerous years, the numbers FCG used to calculate its claimed depreciation rates and claimed reserve surplus are vastly inconsistent with the numbers in the Annual Reports, which were audited by Deloitte.

It would be improper to revise depreciation rates based on numbers which we have proven are incorrect. FCG says that the correct numbers "cannot be determined by FCG", [or at least not swiftly]. Those numbers are not valid evidence which would support changing the current depreciation rates.

Any imbalance identified in the new depreciation study to be filed in the coming rate case should be addressed in the remaining life calculations. The new depreciation rates should become effective at the same time as the new tariffs/prices charged to ratepayers become effective. These proper actions would recover any reserve deficiency from the ratepayers or return any reserve surplus to the ratepayers.

Under FCG's proposal, the money that is identified as a "surplus" in the Depreciation Reserve would be transferred to the owners. The amount of money which is claimed to be "surplus" is determined by the "parameters" selected. This creates an inherent conflict of interest in favor of increasing the surplus for the personnel selecting parameters to be proposed by FCG. I have demonstrated that FCG is proposing parameters which are contrary to the evidence and increase the claimed amount of "surplus", which would be paid to the owners under this unreasonable FCG filing.

I have demonstrated that removing $22.3 million from the Depreciation Reserve, and paying it to the owners, will increase by $2 million per year the amount of the rate increase FCG will be able to prove in the upcoming rate case. That additional $2 million rate increase can be avoided by rejecting the FCG filing in this case.

I recommend this case be closed and the current depreciation rates remain in effect. I recommend that a new, correct, depreciation study be filed as part of the coming rate case.

Q. THE STAFF FILED A STAFF REPORT ON AUGUST 12, 2025. IS THE STAFF REPORT AN IMPROVEMENT OVER THE FCG PROPOSALS?

A. Yes. The Staff Report is definitely more just and reasonable than are any of the FCG filings. For one thing, the Staff Report recommends using the remaining life technique to address any reserve imbalance. Page 5 of the Staff Report states the following:

> It is staff s opinion that the remaining life depreciation technique is the preferred option to correct the reserve imbalance in this instance.

A reserve surplus means that the ratepayers have overpaid for depreciation. The remaining life technique returns the surplus to the ratepayers. The FCG proposals instead would pay the surplus to the owners, which would be unjust. All of this is discussed in more detail earlier in this testimony.

Q. DOES THE STAFF REPORT CORRECT ALL THE MAJOR PROBLEMS IN THE FCG FILINGS?

A. No. The Staff Report is clearly superior to any of the FCG filings, but it does not correct all of the major issues in the FCG filings. For one example, there is no indication in the

Staff Report that the Staff had corrected the fact that the data FCG filed, and was presumably used by Staff, is inconsistent with the audited data in the FCG Annual Reports. The Staff Report contains recommendations which are still based on the inaccurate data provided by FCG.

Q. HAS FCG MADE A "LAST-MINUTE" FILING WHICH SUPPORTS YOUR TESTIMONY THAT THE NUMBERS FCG IS USING CANNOT BE RELIED UPON?

A. Yes. FCG filed new testimony and exhibits the day before we have to file this testimony. FCG filed its greatly revised numbers, exhibits and testimony on November 4, 2025. My testimony has to be filed November 5, 2025.

Q. DO THESE "LAST-MINUTE" CHANGES ELIMINATE ANY OF THE PROBLEMS DISCUSSED ABOVE IN YOUR TESTIMONY?

A. No. In this new "last-minute" filing FCG changed many numbers, but it does not eliminate any of the issues presented in my testimony. For example, referring to the prior FCG filing, page 17 of my testimony shows that:

> Page 22 of the 2021 FCG Annual Report to the FPSC shows that the Additions in 2021 were $5,565,780 in Mains -Steel. This 2021 Annual Report was audited by Deloitte…
>
> …
>
> However, Schedule J of FCG Exhibit PSL-2 shows the balance in service at the time used in the study (1/1/2025) was [allegedly] $546,527 in the same 2021 vintage of the same account, Mains -Steel. (Footnotes omitted.)

The new November 4, 2025, FCG filing still uses $546,527 in the 2021 vintage of the same account, Mains -Steel, so the problem has not been corrected.[72] The $546,527 number FCG is still using is still vastly inconsistent with the accurate, audited, number of $5,565,780.

Referring to the prior FCG filing, page 5 of my testimony says "FCG proposed to take $22,391,064 out of the depreciation reserve and give it to the owners." In the new November 4, 2025, filing, FCG proposes to take $19 million out of the depreciation reserve and give it to the owners.[73] So the same problem still exists, with somewhat different numbers.

Q. WHAT DOES THIS NEW FCG FILING FURTHER PROVE?

A. The fact that FCG is still jumping around trying to determine the numbers, further proves that FCG does not have a good understanding of what the actual numbers are. This uncertainty of the numbers reinforces my recommendation that this case be closed and the current depreciation rates remain in effect, and that a new, correct, depreciation study be filed as part of the coming rate case.

Q. WHAT DO YOU RECOMMEND?

A. As discussed in more detail above, I recommend this case be closed and the current depreciation rates remain in effect. I recommend that a new, correct, depreciation study be filed as part of the coming rate case. I recommend that a new depreciation study include the statistical analysis of the life data. Any imbalance identified in the new depreciation

[72] The November 4, 2025, FCG Excel Exhibit PSL-2 FCG2025 Study Workbook, Sch J Amended, Account 3762 Mains Steel 2021.
[73] The November 4, 2025, FCG testimony of Lee, page 8 line 22.

study to be filed in the coming rate case should be addressed in the remaining life calculations. The new depreciation rates should become effective at the same time as the new tariffs/prices charged to ratepayers become effective.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does at this time. The fact that I do not address any other particular issues in my testimony or am silent with respect to any portions of FCG's Petition or direct testimony in this proceeding should not be interpreted as an approval of any position taken by FCG.

William Dunkel, Consultant
8625 Farmington Cemetery Road
Pleasant Plains, Illinois 62677

Qualifications

William Dunkel is a consultant in utility regulatory proceedings. He has participated in over 300 state regulatory proceedings as listed on the attached Relevant Work Experience. Mr. Dunkel is a member of the Society of Depreciation Professionals.

Mr. Dunkel has provided expert depreciation testimony and other services to state agencies throughout the country in numerous state regulatory proceedings.

Mr. Dunkel made a presentation pertaining to "The Largest Depreciation Issue that is Generally in Dispute in State Utility Depreciation Studies: Net Salvage" at the Society of Depreciation Professionals Conference held in September 2018 in Indianapolis, IN.

Mr. Dunkel made a presentation pertaining to Current Depreciation Issues in State Rate Case Proceedings at the Society of Depreciation Professionals 25th Annual Meeting held September 2011 in Atlanta, GA.

Mr. Dunkel made a presentation pertaining to Video Dial Tone at the NASUCA 1993 Mid-Year Meeting held in St. Louis.

Mr. Dunkel made a presentation to the NARUC Subcommittee on Economics and Finance at the NARUC Summer Meetings held in July 1992. That presentation was entitled "The Reason the Industry Wants to Eliminate Cost Based Regulation--Telecommunications is a Declining Cost Industry."

Mr. Dunkel has testified before the Illinois House of Representatives Subcommittee on Communications, as well as participated in numerous other schools and conferences pertaining to the utility industry.

Mr. Dunkel provides services almost exclusively to public agencies, including the Public Utilities Commission, the Public Counsel, Office of Attorney General, or the State Department of Administration in various states.

William Dunkel currently provides, or in the past has provided, services in state utility regulatory proceedings to the following clients:

The Public Utility Commission or the Staffs in the States of:

Arkansas	Maryland
Arizona	Mississippi
Delaware	Missouri
District of Columbia	New Mexico
Georgia	North Carolina
Guam	Utah
Illinois	Virginia
Kansas	Washington
Maine	U.S. Virgin Islands

The Office of the Public Advocate, or its equivalent, in the States of:

Alaska	Maryland
California	Massachusetts
Colorado	Michigan
Connecticut	Missouri
District of Columbia	Nebraska
Florida	New Jersey
Georgia	New Mexico
Hawaii	Ohio
Illinois	Oklahoma
Indiana	Pennsylvania
Iowa	Utah
Maine	Washington

The Department of Administration in the States of:

Illinois	South Dakota
Minnesota	Wisconsin

Mr. Dunkel graduated from the University of Illinois in February 1970 with a Bachelor of Science Degree in Engineering Physics, with emphasis on economics and other business-related subjects. He has taken several post-graduate courses since graduation.

Mr. Dunkel has taken the AT&T separations school which is normally provided to AT&T personnel.

Mr. Dunkel has taken the General Telephone separations school which is normally provided for training of the General Telephone Company personnel in separations.

Mr. Dunkel has completed an advanced depreciation program entitled "Forecasting Life and Salvage" offered by Depreciation Programs, Inc.

From 1970 to 1974, Mr. Dunkel was a design engineer for Sangamo Electric Company (Sangamo was later purchased by Schlumberger) designing electric watt-hour meters used in the electric utility industry. He was granted patent No. 3822400 for a solid state meter pulse initiator which was used in metering.

In April 1974, Mr. Dunkel was employed by the Illinois Commerce Commission in the Electric Section as a Utility Engineer. In November of 1975, he transferred to the Telephone Section of the Illinois Commerce Commission and from that time until July, 1980, he participated in essentially all telephone rate cases and other telephone rate matters that were set for hearing in the State of Illinois. During that period, he testified as an expert witness in numerous rate design cases and tariff filings in the areas of rate design, cost studies and separations. During the period 1975-1980, he was the Separations and Settlements expert for the Staff of the Illinois Commerce Commission.

From July 1977 until July 1980, Mr. Dunkel was a Staff member of the FCC-State Joint Board on Separations, concerning the "Impact of Customer Provision of Terminal Equipment on Jurisdictional Separations" in FCC Docket No. 20981 on behalf of the Illinois Commerce Commission. The FCC-State Joint Board is the national board that specifies the rules for separations in the telephone industry.

Since July 1980, Mr. Dunkel has been regularly employed as an independent consultant in state utility regulatory proceedings across the nation.

RELEVANT WORK EXPERIENCE OF WILLIAM DUNKEL

ALASKA

- Cook Inlet Natural Gas Storage		
	Depreciation Rate Proceeding	Docket No. U-18-043
- Golden Heart Utilities and College Utilities Corporation		
	Depreciation Rate Proceeding	Docket No. U-15-089
- Chugach Electric		
	Depreciation Rate Proceeding	Docket No. U-09-097
- Homer Electric		
	Depreciation Rate Proceeding	Docket No. U-09-077
- TDX North Slope Generating		
	Depreciation Rate Proceeding	Docket No. U-21-089
- TDX Sand Point Generating		
	Depreciation Rate Proceeding	Docket No. U-21-088
	Depreciation Rate Proceeding	Docket No. U-09-029
- AWWU		
	Depreciation Rate Proceeding	Docket No. U-08-004
- Enstar Natural Gas Company		
	Depreciation Rate Proceeding	Docket No. U-07-174
- ML&P		
	Depreciation Rate Proceeding	Docket No. U-12-149
	Depreciation Rate Proceeding	Docket No. U-06-006
- ACS of Anchorage		Docket No. U-01-34
- ACS		
	General rate case	Docket Nos. U-01-83, U-01-85, U-01-87
	AFOR proceeding	Docket No. R-03-003
- All Telephone Companies		
	Access charge proceeding	Docket No. R-01-001
- Interior Telephone Company		Docket No. U-07-75
- OTZ Telephone Cooperative		Docket No. U-03-85

ARIZONA

- Citizens Communications Company, Arizona Gas Division		
	Depreciation Rates	Docket No. G-01032A-02
- U.S. West Communications (Qwest)		
	General Rate Case/Price Cap Renewal	Docket No. T-01051B-03-0454
	Wholesale cost/UNE case	Docket No. T-00000A-00-0194
	General rate case	Docket No. E-1051-93-183
	Depreciation case	Docket No. T-01051B-97-0689
	General rate case/AFOR proceeding	Docket No. T-01051B-99-0105
	AFOR proceeding	Docket No. T-01051B-03-0454

<u>ARKANSAS</u>

-	Southwestern Bell Telephone Company	Docket No. 83-045-U

<u>CALIFORNIA</u>

(on behalf of The Utility Reform Network (TURN))		
-	Southern California Edison Company	Docket No. 16-09-001
(on behalf of the Office of Ratepayer Advocates (ORA))		
-	Kerman Telephone General Rate Case	A.02-01-004
(on behalf of the California Cable Television Association)		
-	General Telephone of California	I.87-11-033
-	Pacific Bell	
	Fiber Beyond the Feeder Pre-Approval Requirement	

<u>COLORADO</u>

-	Mountain Bell Telephone Company	
	General Rate Case	Docket No. 96A-218T et al.
	Call Trace Case	Docket No. 92S-040T
	Caller ID Case	Docket No. 91A-462T
	General Rate Case	Docket No. 90S-544T
	Local Calling Area Case	Docket No. 1766
	General Rate Case	Docket No. 1720
	General Rate Case	Docket No. 1700
	General Rate Case	Docket No. 1655
	General Rate Case	Docket No. 1575
	Measured Services Case	Docket No. 1620
-	Independent Telephone Companies	
	Cost Allocation Methods Case	Docket No. 89R-608T

<u>CONNECTICUT</u>

-	Connecticut Yankee Gas Company	
	Depreciation Study	Docket No. 24-12-01
	Depreciation Study	Docket No. 18-05-10
-	Connecticut Natural Gas Corporation	
	Depreciation Study	Docket No. 23-11-02
	Depreciation Study	Docket No. 18-05-16
-	Southern Connecticut Gas Company	
	Depreciation Study	Docket No. 23-11-02
	General Rate Case	Docket No. 17-05-42
-	Connecticut Light & Power	
	Depreciation Study	Docket No. 17-10-46
-	United Illuminating Company	

General Rate Case	Docket No. 22-08-08
General Rate Case	Docket No. 16-06-04
- Connecticut Water Company	
Depreciation Study	Docket No. 23-08-32

<u>DELAWARE</u>

- Diamond State Telephone Company	
General Rate Case	PSC Docket No. 82-32
General Rate Case	PSC Docket No. 84-33
Report on Small Centrex	PSC Docket No. 85-32T
General Rate Case	PSC Docket No. 86-20
Centrex Cost Proceeding	PSC Docket No. 86-34

<u>DISTRICT OF COLUMBIA</u>

- Washington Gas Light Company	
Depreciation issues	Formal Case No. 1091 & 1093
- Potomac Electric Power Company	
Depreciation issues	Formal Case No. 1076
Depreciation issues	Formal Case No. 1053
- C&P Telephone Company of D.C.	
Depreciation issues	Formal Case No. 926

<u>FCC</u>

- Review of jurisdictional separations	FCC Docket No. 96-45
- Developing a Unified Intercarrier Compensation Regime	CC Docket No. 01-92

<u>FLORIDA</u>

- Florida City Gas	
Depreciation Issues	Docket No. 20250035-GU
- Florida Power & Light Company	
Depreciation Issues	Docket No. 20250011-EI
Depreciation Issues	Docket No. 20240025-EI
- Duke Energy Florida, LLC	
Depreciation issues	Docket No. 20240025-EI
- BellSouth, GTE, and Sprint	
Fair and reasonable rates	Undocketed Special Project

<u>GEORGIA</u>

- Atlanta Gas Light Company	
General Rate Proceeding	Docket No. 42315
General Rate Proceeding	Docket No. 31647
- Georgia Power Company	

	General Rate Proceeding	Docket No. 42516
-	Southern Bell Telephone & Telegraph Co.	
	General Rate Proceeding	Docket No. 3231-U
	General Rate Proceeding	Docket No. 3465-U
	General Rate Proceeding	Docket No. 3286-U
	General Rate Proceeding	Docket No. 3393-U

HAWAII

-	Kauai Island Utility Cooperative	
	Depreciation Issues	Docket No. 2024-0224
	General Rate Proceeding	Docket No. 2022-0208
-	Hawaii Gas	
	Depreciation Issues	Docket No. 2024-0158
-	GTE Hawaiian Telephone Company	
	Depreciation/separations issues	Docket No. 94-0298
	Resale case	Docket No. 7702

ILLINOIS

-	Commonwealth Edison Company	
	General Rate Proceeding	Docket No. 80-0546
	General Rate Proceeding	Docket No. 82-0026
	Section 50	Docket No. 59008
	Section 55	Docket No. 59064
	Section 50	Docket No. 59314
	Section 55	Docket No. 59704
-	Central Illinois Public Service	
	Section 55	Docket No. 58953
	Section 55	Docket No. 58999
	Section 55	Docket No. 59000
	Exchange of Facilities (Illinois Power)	Docket No. 59497
	General Rate Increase	Docket No. 59784
	Section 55	Docket No. 59677
-	South Beloit	
	General Rate Case	Docket No. 59078
-	Illinois Power	
	Section 55	Docket No. 59281
	Interconnection	Docket No. 59435
-	Verizon North Inc. and Verizon South Inc.	Docket No. 02-0560
	DSL Waiver Petition Proceeding	
-	Geneseo Telephone Company	
	EAS case	Docket No. 99-0412
-	Central Telephone Company	
	(Staunton merger)	Docket No. 78-0595

-	General Telephone & Electronics Co.	
	Usage sensitive service case	Docket Nos. 98-0200/98-0537
	General rate case (on behalf of CUB)	Docket No. 93-0301
	(Usage sensitive rates)	Docket No. 79-0141
	(Data Service)	Docket No. 79-0310
	(Certificate)	Docket No. 79-0499
	(Certificate)	Docket No. 79-0500
-	General Telephone Co.	Docket No. 80-0389
-	SBC	
	Imputation Requirement	Docket No. 04-0461
	Implement UNE Law	Docket No. 03-0323
	UNE Rate Case	Docket No. 02-0864
	Alternative Regulation Review	Docket No. 98-0252
-	Ameritech (Illinois Bell Telephone Company)	
	Area code split case	Docket No. 94-0315
	General Rate Case	Docket No. 83-0005
	(Centrex filing)	Docket No. 84-0111
	General Rate Proceeding	Docket No. 81-0478
	(Call Lamp Indicator)	Docket No. 77-0755
	(Com Key 1434)	Docket No. 77-0756
	(Card dialers)	Docket No. 77-0757
	(Concentration Identifier)	Docket No. 78-0005
	(Voice of the People)	Docket No. 78-0028
	(General rate increase)	Docket No. 78-0034
	(Dimension)	Docket No. 78-0086
	(Customer controlled Centrex)	Docket No. 78-0243
	(TAS)	Docket No. 78-0031
	(Ill. Consolidated Lease)	Docket No. 78-0473
	(EAS Inquiry)	Docket No. 78-0531
	(Dispute with GTE)	Docket No. 78-0576
	(WUI vs. Continental Tel.)	Docket No. 79-0041
	(Carle Clinic)	Docket No. 79-0132
	(Private line rates)	Docket No. 79-0143
	(Toll data)	Docket No. 79-0234
	(Dataphone)	Docket No. 79-0237
	(Com Key 718)	Docket No. 79-0365
	(Complaint - switchboard)	Docket No. 79-0380
	(Porta printer)	Docket No. 79-0381
	(General rate case)	Docket No. 79-0438
	(Certificate)	Docket No. 79-0501
	(General rate case)	Docket No. 80-0010
	(Other minor proceedings)	Docket No. various
-	Home Telephone Company	Docket No. 80-0220

- Northwestern Telephone Company	
Local and EAS rates	Docket No. 79-0142
EAS	Docket No. 79-0519

INDIANA

- Indiana-American Water Company	
Depreciation issues	Cause No. 44992
- Indiana Michigan Power Company (I&M)	
Depreciation issues	Cause No. 44075
Depreciation issues	Cause No. 42959
- Public Service of Indiana (PSI)	
Depreciation issues	Cause No. 39584
- Indianapolis Power and Light Company	
Depreciation issues	Cause No. 39938

IOWA

- U S West Communications, Inc.	
Local Exchange Competition	Docket No. RMU-95-5
Local Network Interconnection	Docket No. RPU-95-10
General Rate Case	Docket No. RPU-95-11

KANSAS

- Black Hills/Kansas Gas Utility Company	
General rate proceeding	Docket No. 14-BHCG-502-RTS
- Kansas Gas Services	
General rate proceeding	Docket No. 12-KGSG-838-RTS
- Westar Energy, Inc.	
General rate proceeding	Docket No. 18-WSEE-328-RTS
General rate proceeding	Docket No. 12-WSEE-112-RTS
General rate proceeding	Docket No. 08-WSEE-1041-RTS
- Midwest Energy, Inc.	
General rate proceeding	Docket No. 11-MDWE-609-RTS
General rate proceeding	Docket No. 08-MDWE-594-RTS
- Generic Depreciation Proceeding	Docket No. 08-GIMX-1142-GIV
- Kansas City Power & Light Company	
General rate proceeding	Docket No. 15-KCPE-116-RTS
General rate proceeding	Docket No. 12-KCPE-764-RTS
General rate proceeding	Docket No. 10-KCPE-415-RTS
- Atmos Energy Corporation	
General rate proceeding	Docket No. 12-ATMG-564-RTS
General rate proceeding	Docket No. 08-ATMG-280-RTS
- Sunflower Electric Power Corporation	
Depreciation rate study	Docket No. 08-SEPE-257-DRS

-	Southwestern Bell Telephone Company	
	Commission Investigation of the KUSF	Docket No. 98-SWBT-677-GIT
-	Rural Telephone Service Company	
	Audit and General rate proceeding	Docket No. 00-RRLT-083-AUD
	Request for supplemental KUSF	Docket No. 00-RRLT-518-KSF
-	Southern Kansas Telephone Company	
	Audit and General rate proceeding	Docket No. 01-SNKT-544-AUD
-	Pioneer Telephone Company	
	Audit and General rate proceeding	Docket No. 01-PNRT-929-AUD
-	Craw-Kan Telephone Cooperative, Inc.	
	Audit and General rate proceeding	Docket No. 01-CRKT-713-AUD
-	Sunflower Telephone Company, Inc.	
	Audit and General rate proceeding	Docket No. 01-SFLT-879-AUD
-	Bluestem Telephone Company, Inc.	
	Audit and General rate proceeding	Docket No. 01-BSST-878-AUD
-	Home Telephone Company, Inc.	
	Audit and General rate proceeding	Docket No. 02-HOMT-209-AUD
-	Wilson Telephone Company, Inc.	
	Audit and General rate proceeding	Docket No. 02-WLST-210-AUD
-	S&T Telephone Cooperative Association, Inc.	
	Audit and General rate proceeding	Docket No. 02-S&TT-390-AUD
-	Blue Valley Telephone Company, Inc.	
	Audit and General rate proceeding	Docket No. 02-BLVT-377-AUD
-	JBN Telephone Company	
	Audit and General rate proceeding	Docket No. 02-JBNT-846-AUD
-	S&A Telephone Company	
	Audit and General rate proceeding	Docket No. 03-S&AT-160-AUD
-	Wheat State Telephone Company, Inc.	
	Audit and General rate proceeding	Docket No. 03-WHST-503-AUD
-	Haviland Telephone Company, Inc.	
	Audit and General rate proceeding	Docket No. 03-HVDT-664-RTS

MAINE

-	Versant Power	
	General rate proceeding	Docket No. 2022-255
-	Northern Utilities, Inc. (Unitil)	
	General rate proceeding	Docket No. 2017-065
-	Emera	
	General rate proceeding	Docket No. 2013-443
-	Central Maine Power Company	
	General rate proceeding	Docket No. 2022-152
	General rate proceeding	Docket No. 2013-168
	General rate proceeding	Docket No. 2007-215

-	New England Telephone Company	
	General rate proceeding	Docket No. 92-130
-	Verizon	
	AFOR investigation	Docket No. 2005-155

MARYLAND

-	Washington Gas Light Company	
	Depreciation rate proceeding	Case No. 9103
	Depreciation Rate Case	Case No. 8960
-	Baltimore Gas and Electric Company	
	Depreciation rate proceeding	Case No. 9610
	Depreciation rate proceeding	Case No. 9355
	Depreciation rate proceeding	Case No. 9096
-	PEPCO	
	General rate proceeding	Case No. 9286
	General rate proceeding	Case No. 9217
	General rate proceeding	Case No. 9092
-	Delmarva Power & Light Company	
	General rate proceeding	Case No. 9285
-	Chesapeake and Potomac Telephone Company	
	General rate proceeding	Case No. 7851
	Cost Allocation Manual Case	Case No. 8333
	Cost Allocation Issues Case	Case No. 8462
-	Verizon Maryland	
	PICC rate case	Case No. 8862
	USF case	Case No. 8745
-	Chesapeake Utilities Corporation	
	General rate proceeding	Case No. 9062
-	Columbia Gas of Maryland	
	General rate proceeding	Case No. 9680

MASSACHUSETTS

-	Eversource Energy (NSTAR Electric Company and Western Massachusetts Electric Company)	
	Depreciation Issues	Case No. D.P.U. 17-005
-	National Grid (Massachusetts Electric Company/Nantucket Electric Company)	
	Depreciation Issues	Case No. D.P.U. 15-155

MICHIGAN

-	Wisconsin Electric Power Company	
	Depreciation Rate Case	Case No. U-15981
-	SEMCO Energy Gas Company	
	Depreciation Rate Case	Case No. U-15778
-	Michigan Consolidated Gas Company	

	Depreciation Rate Case	Case No. U-15699
-	Consumers Energy Company	
	Depreciation Rate Case	Case No. U-21176
	Depreciation Rate Case	Case No. U-20849
	Depreciation Rate Case	Case No. U-15629

MINNESOTA

-	Access charge (all companies)	Docket No. P-321/CI-83-203
-	U. S. West Communications, Inc. (Northwestern Bell Telephone Co.)	
	Centrex/Centron proceeding	Docket No. P-421/91-EM-1002
	General rate proceeding	Docket No. P-321/M-80-306
	Centrex Dockets	MPUC No. P-421/M-83-466
		MPUC No. P-421/M-84-24
		MPUC No. P-421/M-84-25
		MPUC No. P-421/M-84-26
	General rate proceeding	MPUC No. P-421/GR-80-911
	General rate proceeding	MPUC No. P-421/GR-82-203
	General rate case	MPUC No. P-421/GR-83-600
	WATS investigation	MPUC No. P-421/CI-84-454
	Access charge case	MPUC No. P-421/CI-85-352
	Access charge case	MPUC No. P-421/M-86-53
	Toll Compensation case	MPUC No. P-999/CI-85-582
	Private Line proceeding	Docket No. P-421/M-86-508
-	AT&T	
	Intrastate Interexchange	Docket No. P-442/M-87-54

MISSISSIPPI

-	South Central Bell	
	General rate filing	Docket No. U-4415

MISSOURI

-	AmerenUE	
	Electric rate proceeding	ER-2010-0036
	Electric rate proceeding	ER-2008-0318
-	American Water Company	
	General rate proceeding	WR-2008-0311
-	Empire District Electric Company	
	Depreciation rates	ER-2008-0093
-	AmerenUE	
	Electric rate proceeding	ER-2007-0002
-	Southwestern Bell	
	General rate proceeding	TR-79-213
	General rate proceeding	TR-80-256

		General rate proceeding	TR-82-199
		General rate proceeding	TR-86-84
		General rate proceeding	TC-89-14, et al.
		Alternative Regulation	TC-93-224/TO-93-192
-	United Telephone Company		
		Depreciation proceeding	TR-93-181
-	All companies		
		Extended Area Service	TO-86-8
		EMS investigation	TO-87-131
		Cost of Access Proceeding	TR-2001-65

<u>NEBRASKA</u>

-	SourceGas Distribution		
		Depreciation proceeding	NG-0079
-	Black Hills Nebraska Gas		
		General Rate Proceeding	NG-124
		General Rate Proceeding	NG-0109

<u>NEW JERSEY</u>

-	Mid-Atlantic Offshore Development, LLC		BPU Docket No. ER24-2564
-	Atlantic City Electric Company		
		General Rate Proceeding	BPU Docket No. ER18080925
-	Rockland Electric Company		
		General Rate Proceeding	BPU Docket No. ER16050428
-	New Jersey Natural Gas Company		
		General Rate Proceeding	BPU Docket No. GR19030420
		General Rate Proceeding	BPU Docket No. GR15111304
-	South Jersey Gas Company		
		General Rate Proceeding	BPU Docket No. GR13111137
-	Atlantic City Electric Company		
		General Rate Proceeding	BPU Docket No. ER12121071
			OAL Docket No. PUC00617-2013
-	Aqua New Jersey, Inc.		
		General Rate Proceeding	BPU Docket No. WR20010056
-	New Jersey Bell Telephone Company		
		General rate proceeding	Docket No. 802-135
		General rate proceeding	BPU No. 815-458
			OAL No. 3073-81
		Phase I - General rate case	BPU No. 8211-1030
			OAL No. PUC10506-82
		General rate case	BPU No. 848-856
			OAL No. PUC06250-84
		Division of regulated	BPU No. TO87050398

from competitive services	OAL No. PUC 08557-87
Customer Request Interrupt	Docket No. TT 90060604

NEW MEXICO

- Public Service Company of New Mexico	
Depreciation issues	Case No. 15-00261-UT
Depreciation issues	Case No. 10-00086-UT
Depreciation issues	Case No. 08-00273-UT
- U.S. West Communications, Inc.	
E-911 proceeding	Case No. 92-79-TC
General rate proceeding	Case No. 92-227-TC
General rate/depreciation proceeding	Case No. 3008
Subsidy Case	Case No. 3325
USF Case	Case No. 3223
- VALOR Communications	
Subsidy Case	Case No. 3300
Interconnection Arbitration	Case No. 3495

NEW YORK

- Niagara Mohawk Power Corporation	
Depreciation Rates	Docket Nos. 24-E-0322 & 24-G-0323

OHIO

- Ohio Bell Telephone Company	
General rate proceeding	Docket No. 79-1184-TP-AIR
General rate increase	Docket No. 81-1433-TP-AIR
General rate increase	Docket No. 83-300-TP-AIR
Access charges	Docket No. 83-464-TP-AIR
- General Telephone of Ohio	
General rate proceeding	Docket No. 81-383-TP-AIR
- United Telephone Company	
General rate proceeding	Docket No. 81-627-TP-AIR

OKLAHOMA

- Public Service of Oklahoma	
General Rate Case	Cause No. PUD 202200093
General Rate Case	Cause No. PUD 202100055
General Rate Case	Cause No. PUD 201800097
General Rate Case	Cause No. PUD 201700151
Depreciation Case	Cause No. 96-0000214
- Oklahoma Gas and Electric Company	
General Rate Case	Cause No. PUD 202300087
General Rate Case	Cause No. PUD 202100164

General Rate Case	Cause No. PUD 201800140
General Rate Case	Cause No. PUD 201700496
- Oklahoma Natural Gas Company	
General Rate Case	Cause No. PUD 202100063

PENNSYLVANIA

- GTE North, Inc.	
Interconnection proceeding	Docket No. A-310125F002
- Bell Telephone Company of Pennsylvania	
Alternative Regulation proceeding	Docket No. P-00930715
Automatic Savings	Docket No. R-953409
Rate Rebalance	Docket No. R-00963550
- Enterprise Telephone Company	
General rate proceeding	Docket No. R-922317
- All companies	
InterLATA Toll Service Invest.	Docket No. I-910010
Joint Petition for Global Resolution of Telecommunications Proceedings	Docket Nos. P-00991649, P-00991648, M-00021596
- GTE North and United Telephone Company	
Local Calling Area Case	Docket No. C-902815
- Verizon	
Joint Application of Bell Atlantic and GTE for Approval of Agreement and Plan of Merger	Docket Nos. A-310200F0002, A-311350F0002, A-310222F0002, A-310291F0003
Access Charge Complaint Proceeding	Docket No. C-200271905

SOUTH DAKOTA

- Northwestern Bell Telephone Company	
General rate proceeding	Docket No. F-3375

TENNESSEE
(on behalf of Time Warner Communications)

- BellSouth Telephone Company	
Avoidable costs case	Docket No. 96-00067

UTAH

- Questar Gas Company	
Depreciation rate proceeding	Docket No. 13-057-19
- Rocky Mountain Power	
Depreciation rate proceeding	Docket No. 13-035-02
- U.S. West Communications (Mountain Bell Telephone Company)	
General rate case	Docket No. 84-049-01
General rate case	Docket No. 88-049-07

800 Services case	Docket No. 90-049-05
General rate case/ incentive regulation	Docket No. 90-049-06/90-049-03
General rate case	Docket No. 92-049-07
General rate case	Docket No. 95-049-05
General rate case	Docket No. 97-049-08
Qwest Price Flexibility-Residence	Docket No. 01-2383-01
Qwest Price Flexibility-Business	Docket No. 02-049-82
Qwest Price Flexibility-Residence	Docket No. 03-049-49
Qwest Price Flexibility-Business	Docket No. 03-049-50
- Carbon/Emery	
General rate case/USF eligibility	Docket No. 05-2302-01

VIRGIN ISLANDS, U.S.

- Virgin Islands Telephone Company	
General rate case	Docket No. 264
General rate case	Docket No. 277
General rate case	Docket No. 314
General rate case	Docket No. 316

VIRGINIA

- General Telephone Company of the South	
Jurisdictional allocations	Case No. PUC870029
Separations	Case No. PUC950019

WASHINGTON

- US West Communications, Inc.	
Interconnection case	Docket No. UT-960369
General rate case	Docket No. UT-950200
- All Companies-	Analyzed the local calling areas in the State

WISCONSIN

- Wisconsin Bell Telephone Company	
Private line rate proceeding	Docket No. 6720-TR-21
General rate proceeding	Docket No. 6720-TR-34

Gunster

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

April 30, 2025

BY E-PORTAL

Mr. Adam Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Docket No. 20250035-GU – Petition for approval of 2025 depreciation study and for approval to amortize reserve imbalance, by Florida City Gas.

Dear Mr. Teitzman:

Enclosed for filing, please find Florida City Gas's Responses to Staff's First Set of Data Requests.

As always, thank you for your assistance in connection with this filing. If you have any questions whatsoever, please do not hesitate to let me know.

Sincerely,

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

ENCL

CC:// (certificate of service)

or imply The Company only opines that a short-term amortization of the reserve surplus benefits customers through lower depreciation expenses, corrects the existing misstatement of rate base and is a return to the matching of expenses to consumption. The added benefit is the delay of a rate proceeding. The 2025 depreciation study was conducted on a stand-alone basis, without the consideration of Company earnings. The objective of the surplus amortization was and continues to be the correction of the overstated reserve.

24. Please refer to the FCG's 2025 Depreciation Study, page 6. Here the Company writes "[t]here are numerous cases where the Commission has approved amortization of reserve imbalances over a period shorter than the remaining life." Please provide examples of this amortization where the reserve surplus was used to reduce depreciation expense in support of company earnings rather than flowed directly to, or recovered from, customers. Please limit this response to identifying only instances where the relative issues in the docket were not part of a settlement.

Company Response:

In depreciation studies not accompanied with a rate case proceeding, the resultant expenses of revised depreciation rates, either increases or decreases, have an effect on earnings. Regarding the Settlement cases where a company's earnings were considered in determining the amortization period of a reserve deficit, a Settlement is an agreement considered satisfactory by all parties and approved by the Commission as being in the public interest. If it were not so, the parties would not have agreed and the agreement would not have been approved. Thus, whether the issue of amortizing a reserve surplus is part of a Settlement or not, should not matter. The surplus denotes a misstatement of rate base and should be corrected as soon as practicable, just as a reserve deficit has been.

Even though Order PSC-2019-0076-FOF-GU is not a depreciation order, but related to tax, the circumstances are similar. In that Case FPUC argued that it was projected to be earning at the bottom of its allowable range of return on equity and, in light of this should be allowed to retain the estimated annual amortized amount of the protected excess accumulated deferred income tax (ADIT) balance. FPUC argued that the ability to retain the net tax amount would provide the Company with further opportunity to earn within its authorized range of return on equity (ROE), while also enabling the Company to provide service at present rates for a longer period, to continue making necessary capital investments, and to delay a costly rate proceeding. The Commission concluded that "it was fair and reasonable to consider the earnings position of the Company in our decision. Reducing the base rates as recommended by OPC would result in a cash flow reduction to the Company, put downward pressure on FPUC's earnings, and would accelerate the need for a full rate case sooner than it would otherwise due to FPUC earning below its authorized range of ROE". The Commission allowed FPUC to retain the estimated amortized deferred tax balance.

For correction of reserve imbalances over a shorter period than the remaining life please see Order PSC-2019-0433-PAA-GU, issued October22, 2019 In re: Petition for approval of 2019 consolidated depreciation study by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation, page 3. In that case, FPUC adaptation of vintage year accounting for amortizable general plant accounts amounted in ($1.4M) reserve imbalance. The commission authorized a 5-year amortization to bring these accounts to their theoretically correct reserve levels.

Also, Order No. 010699-EI, issued November 19, 2001, In re: Request for approval of implementation date of January 1, 2002, for new depreciation rates for Marianna Electric Division by Florida Public Utilities Company. The Commission stated its policy to recover imbalances "as fast possible, unless such recovery prevents the Company from earning a fair and reasonable return on its investments."

Additionally, see Order No. PSC-10-0131-FOF-EI, issued March 5, 2010, in Docket No. 090079-EI In re: Petition for increase in rates by Progress Energy Florida, Inc.; Docket No. 090144-EI, In re: Petition for limited proceeding to include Bartow repowering project in base rates, by Progress Energy Florida, Inc.; and Docket No. 090145-EI, In re: Petition for expedited approval of the deferral of pension expenses, authorization to charge storm hardening expenses to the storm damage reserve, and variance from or waiver of Rule 25-6.0143(I)(c), (d), and (f), F.A.C., by Progress Energy Florida, Inc, pp. 45-52.

See also, Order No. PSC-10-0153-FOF-EI in Docket Nos. 20080677-EI, issued March 17, 2010 In re: Petition for increase in rates by Florida Power & Light Company and Docket No. 20090130-EI In re: 2009 depreciation and dismantlement study by Florida Power & Light Company, at page 87. The Commission determined that the reserve surplus should be amortized over 4 years.

By Order 19438, issued June 6, 1988, in Docket No. 80868-EI, In re: Request of Tampa Electric Company for a Change in its Depreciation Rates Effective January 1, 1988, where the Commission approved that tax credits associated with the interest synchronization of investment tax credits be applied to decrease the unrecovered cost associated with equipment planned for retirement and amortized over a two-year period. Prospectively, the annual true-up amount would be booked to a non-account specific account and allocated to specific accounts at the time of the next depreciation study. Further, the Commission approved that the reserve remaining from the retirement of certain capacitors be transferred to the reserve associated with transformers slated for near-term retirement.

By Order 18736, issued January 26, 1988, in Docket No. 871269-TL, In re: Request of United Telephone Company of Florida for Acceleration of Amortization Schedules, the Commission approved a one-time charge to depreciation in the amount needed to recover the imbalance associated with certain central office equipment with a remainder of the requested amount to be recorded in a nonspecific reserve account and allocated to specific accounts in the next depreciation study. The Commission found that these actions "comply with our policies of correcting reserve imbalances as rapidly as possible and of accelerating the write-off of plant identified for retirement earlier than projected when these goals can be achieved without adversely affective rates."

By Order 15798, issued November 1986, In re; Implementing Interest Synchronization Refunds Through Depreciation Revenue Adjustments, the Commission determined that monies subject to refund plus interest related to the interest synchronization of investment tax credits be recorded as a one-time jurisdictional adjustment to the depreciation reserve and made account specific at the next depreciation study. Further, on-going monthly jurisdictional adjustments would be booked to the deprecation reserve in the same manner.

By Order PSC-97-1609-FOF_EI Florida Public Utilities Company's Marianna Division was authorized to amortize the net gain associated with the sale of *a* warehouse and associated land over a period of five years. A portion of the sale proceeds to be recorded as gross salvage against the retirement of the warehouse building. The net gain from the sale of a hydro plant was approved to be amortized over four years. Order PSC-98-0451-FOF-EI revised the amortization period for the net gain on the hydro plant to five years.

By Order PSC-2002-1159-PAA-GU approve the application of a portion of the net proceeds from the sale of FPUC's office and warehouse building to the unrecovered cost of the building. The net gain was then amortized over five years.

Further, reserve transfers between accounts, a long-standing Commission-approved practice, are tantamount to amortization of the respective account reserve imbalances.

25. Please refer to the FCG's 2025 Depreciation Study, page 6. In the third paragraph, the Company writes, "FCG has identified a reserve surplus of $27.3 million that it proposes to amortize over the years 2025 and 2026. This action allows a return to the matching principle and correction of intergenerational inequities." Please fully explain the concept of relieving intergenerational inequities by transferring customer value to Company shareholders, which has the direct effect of customers having to pay for that depreciation and return twice no matter the generation of customer base.

<u>Company Response</u>:

The Company objects to the premise that its proposal transfers customer value to FCG's shareholders and results in double recovery. Current customers are effectively subsidizing future customers, referred to as intergenerational inequity. They (and also past customers) have effectively overpaid their fair share of depreciation expense based on the parameters proposed in the 2025 Depreciation Study. The matching concept argues for a short amortization period in order that the ratepayers who may have overpaid have a chance of

FILED 6/9/2023
DOCUMENT NO. 03568-2023
FPSC - COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida City Gas.	DOCKET NO. 20220069-GU ORDER NO. PSC-2023-0177-FOF-GU ISSUED: June 9, 2023

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
MIKE LA ROSA
GABRIELLA PASSIDOMO

APPEARANCES:

CHRISTOPHER T. WRIGHT and JOEL T. BAKER, ESQUIRES, Florida Power & Light Company, 700 Universe Boulevard, Juno Beach, FL 33408-0420
BETH KEATING, ESQUIRE, Gunster, Yoakley & Stewart, P.A., 215 South Monroe St., Suite 601, Tallahassee, FL 32301-1804
On behalf of Florida City Gas (FCG).

MARY A. WESSLING and CHARLES REHWINKEL, ESQUIRES, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400
On behalf of the Citizens of the State of Florida (OPC).

MARCUS DUFFY, CAPT, USAF, HOLLY L. BUCHANAN, MAJOR, USAF, and THOMAS A. JERNIGAN, ESQUIRES, AF/JAOE-ULFSC, 139 Barnes Drive, Suite 1, Tyndall Air Force Base, FL 32403
On behalf of Federal Executive Agencies (FEA).

JON C. MOYLE, JR. and KAREN PUTNAL, ESQUIRES, Moyle Law Firm, P.A., 118 North Gadsden Street, Tallahassee, Florida 32312
On behalf of Florida Industrial Power Users Group (FIPUG).

ADRIA HARPER and TIMOTHY SPARKS, ESQUIRES, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (Staff).

MARY ANNE HELTON, ESQUIRE, Deputy General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399
Advisor to the Florida Public Service Commission.

KEITH C. HETRICK, ESQUIRE, General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
Florida Public Service Commission General Counsel.

NET OPERATING INCOME MULTIPLIER

FLORIDA CITY GAS
DOCKET NO. 20220069-GU
PTY 12/31/23

ATTACHMENT 4

DESCRIPTION	COMPANY PER FILING	STIPULATION
REVENUE REQUIREMENT	100.0000%	100.0000%
REGULATORY ASSESSMENT RATE	0.5000%	0.5000%
BAD DEBT RATE	0.4771%	0.4771%
NET BEFORE INCOME TAXES	99.0229%	99.0229%
STATE INCOME TAX RATE	5.5000%	5.5000%
STATE INCOME TAX	5.4463%	5.4463%
NET BEFORE FEDERAL INCOME TAXES	93.5766%	93.5766%
FEDERAL INCOME TAX RATE	21.0000%	21.0000%
FEDERAL INCOME TAX	19.6511%	19.6511%
REVENUE EXPANSION FACTOR	73.9255%	73.9255%
NET OPERATING INCOME MULTIPLIER	1.3527	1.3527

COMPARATIVE REVENUE DEFICIENCY CALCULATIONS

FLORIDA CITY GAS ATTACHMENT 5

DOCKET NO. 20220069-GU

PTY 12/31/23

		COMPANY ADJUSTED		COMMISSION APPROVED
RATE BASE (AVERAGE)		$489,002,189		$487,257,875
RATE OF RETURN	X	7.09%	X	6.44%
REQUIRED NOI		$34,688,400		$31,363,264
ACHIEVED NOI		13,268,605		14,132,644
NET REVENUE DEFICIENCY		21,419,795		17,230,620
REVENUE EXPANSION FACTOR		1.3527		1.3527
REVENUE DEFICIENCY		28,974,822		23,308,073
LNG Revenue		(3,828,493)		(3,828,493)
Transfer of SAFE Investments		(5,696,211)		(5,330,459)
INCREMENTAL REVENUE INCREASE		$19,450,118		$14,149,121

Florida City Gas

April 12, 2022

Mr. Andrew Maurey, Director
Division of Accounting &
Finance Florida Public Service
Commission 2540 Shumard
Oak Blvd. Tallahassee, FL
32399-0850

Dear Mr. Maurey:

Enclosed are an unbound original and three copies of our 2021 Florida Public Service Commission Annual Report. Also enclosed are NextEra Energy, Inc.'s 2021 Form 10-K as filed with the Securities and Exchange Commission, and NextEra Energy, Inc.'s 2021 Annual Report to Stockholders.

Sincerely,

Keith Ferguson
Controller

Enclosures

Deloitte.

Deloitte & Touche LLP
Certified Public Accountants
Suite 200
1800 North Military Trail
Boca Raton, FL 33431-6386
USA

Tel: +1 561 962 7700
Fax: +1 561 962 7750
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

Pivotal Utility Holdings, Inc.
700 Universe Blvd.
Juno Beach, FL

Opinion

We have audited the financial statements of Pivotal Utility Holdings, Inc. d/b/a Florida City Gas ("Florida City Gas" or the "Company"), a wholly-owned subsidiary of Florida Power & Light Company, which comprise the balance sheet – regulatory basis as of December 31, 2021, and the related statements of income – regulatory basis, retained earnings – regulatory basis, and cash flows – regulatory basis, for the year then ended, included on pages 10 through 18 of the Company's Annual Report of Natural Gas Utilities, and the related notes to the financial statements (the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities, and proprietary capital of the Company as of December 31, 2021, and the results of its operations for the year then ended in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Basis of Accounting

As discussed in Note 1 to the financial statements, these financial statements were prepared in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases, which is a basis of accounting other than accounting principles generally accepted in the United States of America. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting requirements of the Federal Energy Regulatory Commission as set forth in its applicable Uniform System of Accounts and published accounting releases. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Restriction on Use

This report is intended solely for the information and use of the members and management of the Company and for filing with the Florida Public Service Commission and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

April 11, 2022

ANNUAL REPORT OF

NATURAL GAS UTILITIES

PIVOTAL UTILITY HOLDINGS, INC. D/B/A
FLORIDA CITY GAS

(EXACT NAME OF RESPONDENT)

700 Universe Blvd, Juno Beach, FL 33408

(ADDRESS OF RESPONDENT)

TO THE

FLORIDA PUBLIC SERVICE COMMISSION

FOR THE

YEAR ENDED December 31, 2021

Officer or other person to whom correspondence should be addressed concerning this report:

Name: Keith Ferguson	Title: Controller	
Address: 700 Universe Blvd	City: Juno Beach	State: FL
Telephone No.: (561) 694-3428		PSC/AFD 020-G (12/03)

ANNUAL REPORT OF NATURAL GAS UTILITIES

IDENTIFICATION

01 Exact Legal Name of Respondent PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS	02 Year of Report December 31, 2021
03 Previous Name and Date of Change (if name changed during year)	
04 Address of Principal Office at End of Year (Street, City, State, Zip Code) 700 Universe Blvd, Juno Beach, FL 33408	
05 Name of Contact Person Keith Ferguson	06 Title of Contact Person Controller
07 Address of Contact Person (Street, City, State, Zip Code) 700 Universe Blvd, Juno Beach, FL 33408	
08 Telephone of Contact Person, Including Area Code (561) 694-3428	09 Date of Report (Mo, Da, Yr) April 11, 2022

ATTESTATION

I certify that I am the responsible accounting officer of

PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS;
that I have examined the following report; that to the best of my knowledge, information, and belief, all statements of fact contained in the said report are true and the said report is a correct statement of the business and affairs of the above-named respondent in respect to each and every matter set forth therein during the period from January 1, 2021 to December 31, 2021, inclusive.

I also certify that all affiliated transfer prices and affiliated cost allocations were determined consistent with the methods reported to this Commission on the appropriate forms included in this report.

I am aware that Section 837.06, Florida Statutes, provides:

> Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his or her official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in S. 775.082 and S. 775.083.

RECEIVED FLORIDA PUBLIC SERVICE COMMISSION
2022 APR 12 AM 11: 54
DIVISION OF ACCOUNTING & FINANCE

April 11, 2022	Keith Ferguson
Date	**Signature**
Keith Ferguson	Controller
Name	**Title**

Annual Status Report
Analysis of Plant in Service Accounts

Company: PIVOTAL UTILITY HOLDINGS, INC. D/B/A FLORIDA CITY GAS
For the Year Ended : December 31, 2021

Acct. No.	Account Description	Depr. Rate	Beginning Balance	Additions	Retirements	Reclass.	Adjustments	Transfers	Ending Balance
374	Land and Land Rights		1,275,700	1,948	—	—	—	—	1,277,648
374.1	Land		72,437	—	—	—	—	—	72,437
374.2	Right-of-way		11,132	—	—	—	—	—	11,132
389	Land-General		2,225,561	—	—	—	—	—	2,225,561
389.2	Land Rights		35,281	108,115	—	—	—	—	143,396
Amortizable General Plant Assets:									
302	Franchises and Consents		241,545	—	—	—	—	—	241,545
303	Miscellaneous Intangible Plant	5.00	221	—	—	—	—	(221)	—
303.02	Computer software	8.30	6,582,477	1,232,475	—	—	—	129,053	7,944,005
303.2	Software as a Service - 20 years	5.00	5,648,032	—	—	—	—	(128,832)	5,519,200
Depreciable Assets:	**This schedule should identify each account/subaccount for which a separate depreciation rate has been approved by the FPSC.**								
375	Structures & Improvements	3.10	91,185	97,376	—	—	—	—	188,561
376.1	Mains - Steel	2.50	135,507,498	5,565,780	(584,385)	—	—	—	140,488,893
376.2	Mains - Plastics	2.50	163,530,669	16,821,851	(1,041,913)	—	—	—	179,310,607
378	M & R Station Equipment	3.50	1,903,428	569,979	—	—	—	—	2,473,407
379	M & R Station Equipment - City Gate	2.70	16,270,045	1,333,472	(2,940)	—	—	—	17,600,577
380.1	Services - Steel	2.70	15,425,657	20,929	(13,774)	—	—	—	15,432,812
380.2	Services - Plastics	2.54	86,713,003	10,024,838	(181,291)	—	—	—	96,556,550
381	Meters	6.10	18,977,935	1,951,167	(1,047,803)	—	—	—	19,881,299
381.1	Meters - ERT's	6.10	1,765,322	751,626	(525,727)	—	—	—	1,991,221
382	Meter Installation	3.57	5,729,207	791,856	(1,009,590)	—	—	—	5,511,473
382.1	Meters Install - ERT's	3.10	1,561,049	25,554	(1,006,431)	—	—	—	580,172
383	House Regulators	3.00	6,724,497	767,916	(484,396)	—	—	—	7,008,017
384	House Regulators Installation	3.20	2,081,053	125,567	(282,160)	—	—	—	1,924,460
385	Industrial M & R Station Equipment	1.48	3,552,338	353	(2,471)	—	—	—	3,550,220
387	Other Equipment	3.00	1,422,042	373,921	—	—	—	—	1,795,963
390	Structures & Improvements	2.50	9,102,231	25,178	—	—	—	—	9,127,409
391	Office furniture and equipment	6.70	760,399	1,000	—	—	—	—	761,399
391.11	Computer Software	8.30	—	—	—	—	—	—	—
391.12	Computer Hardware	20.00	347,846	—	(260,016)	—	—	—	87,830
391.5	Individual Equipment	20.00	832,273	67,402	(86,328)	—	—	—	813,347
392	Transportation Equipment	8.40	303,332	—	—	—	—	—	303,332
392.1	Trans Equip - Autos and Lt Trucks	11.00	1,723,037	—	—	—	—	—	1,723,037
392.2	Trans Equip - Service Trucks	12.10	3,466,061	821,602	—	—	—	—	4,287,663
392.3	Trans Equip - Heavy Trucks	4.90	776,644	—	—	—	—	—	776,644
394	Tools, Shop and Garage Equipment	6.70	1,026,977	9,294	(44,088)	—	—	—	992,183
394.1	Natural Gas Vehicle Equipment	4.70	1,564,203	—	—	—	—	—	1,564,203
396	Power Operated Equipment	6.50	215,948	53,822	—	—	—	—	269,770
397	Communication Equipment	8.30	632,537	152,329	(82,483)	—	—	—	702,383
398	Miscellaneous Equipment	5.00	84,143	140,398	—	—	—	—	224,541

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of Florida City Gas's 2025 Depreciation Study and for Approval to Amortize Reserve Imbalance.	) Docket No.: 20250035-GU)) Filed: October 17, 2025)

FLORIDA CITY GAS'S RESPONSES AND OBJECTIONS TO CITIZEN'S THIRD SET OF INTERROGATORIES (17-19)

Florida City Gas ("FCG" or "Company") hereby submits its Responses and Objections to Citizen's Third Set of Interrogatories (Nos. 17-19) served on the Company on October 6, 2025, by the Office of Public Counsel ("OPC").

Respectfully submitted this 17th day of October, 2025.

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 S. Monroe Street, Suite 601
Tallahassee, FL 32301-1804
(850) 521-1706
bkeating@gunster.com
For Florida City Gas

INTERROGATORIES

17. Depreciation. With regard to Items 1- 4, please answer (a) – (c):

1. In the "FCG Response Attachment A -Revised FCG Depreciation Study Workpapers", "Sch G 2021" shows that $569,979 was the amount of Additions in Account 3780, Measuring and Regulating Equip. - General, in the year 2021. (This same $569,979 amount is also shown on page 63 of Schedule G (page 70 in the PDF) of Attachment A, 2025 Depreciation Study of Florida City Gas).

2. The data in the file "OPC ROG-2-8a Service Life Data (37976850.1)" shows that in the years 2021-2024, no investments have retired in the 2021 vintage in Account 3780, Measuring and Regulating Equip. – General, and there are no transfers in this vintage and account.

3. As a result of the numbers discussed in items 1 and 2 above, the Book Cost investment balance in Account 3780, Measuring and Regulating Equip. – General should be $569,979 in the year 2021 vintage at the end of 2024. ($569,979 - $0 = $569,979).

4. However, in the FCG calculation of the "Average Age" of 3780, Measuring and Regulating Equip. – General , FCG used $31,663 as the claimed Book Cost at 1/1/2025, of the 2021 vintage, as shown on tab "Sch J" of "FCG Response Attachment A -Revised FCG Depreciation Study Workpapers".

   a. Please explain why FCG used $31,663 as the claimed Book Cost in the 2021 vintage at January1, 2025 for Account 3780, Measuring and Regulating Equip. – General when calculating "Average Age", when the FCG data from other sources shows that the Book Cost at that time was in excess of $500,000.

   b. Please reconcile the (1) $31,663 shown as the claimed Book Cost at January1, 2025 for Account 3780, Measuring and Regulating Equip. – General (as shown on tab "Sch J" of "FCG Response Attachment A -Revised FCG Depreciation Study Workpapers"), with (2) the $569,979 amount of Additions in 3780, Measuring and Regulating Equip. – General, in the year 2021 (as shown on "FCG Response Attachment A -Revised FCG Depreciation Study

Workpapers" "Sch G 2021") adjusted for the later retirements (if any) from the 2021 vintage.

c. If the response to part (b) claims there have been any retirements from the 2021 vintage in Account 3780, Measuring and Regulating Equip. – General, cite the line(s) in the file "OPC ROG-2-8a Service Life Data (37976850.1)" which shows any retirements in the years 2021-2024, in the 2021 vintage in 3780, Measuring and Regulating Equip. – General.

Company Response:

a) The difference between the two schedules for the book cost is timing. The data provided in response OPC ROG-2-8a Service Life Data reflects the information provided on PSL-2 workbook, Schedules G 202X for the years 2021 through 2024. The data for transaction years 2021 through November 2023 were provided by Florida Power and Light (FPL). The G schedules are summarized according to the ledger's posting date and ties to the Annual Status Reports submitted to the Commission. Schedule G's reported additions may include late charges and correcting entries for prior years.

Schedule J reflects investments by vintage regardless of posting date. The data source for Schedule J is FCG's PowerPlan Continuous Property Records (CPR) report, which was provided as response to OPC POD 2-11 Sch J - FCG Plant by Vintage. These records include the asset and retirement details by vintage that were provided by FPL during the acquisition of FCG by Chesapeake Utilities (CHPK) and CHPK's subsequent continuous property records through 2024. FCG believes its CPR records are the best option to provide the appropriate distribution of assets at 1/1/2025 to compute the average age calculation for its accounts.

INTERROGATORY NO. 17(a-c), cont.

b) See attachment OPC ROG 3-17 Acct 3780 for a reconciliation between Schedules G and J.

c) There have been no retirements from the vintage year 2021. See tab 3-17 Corrected SLD Entries of attachment OPC ROG 3-17 Acct 3780 for the revised service life data for transaction years 2021-2024.

Respondent: Pat Lee

INTERROGATORY NO. 18(a-c)

18. Depreciation. With regard to Items 1- 4, please answer (a) – (c):

1. In the "FCG Response Attachment A -Revised FCG Depreciation Study Workpapers", "Sch G 2021" shows that $5,565,780 was the amount of Additions in Account 3762, Steel Mains, in the year 2021. (This same $5,565,780 amount is also shown on page 63 of Schedule G (page 70 in the PDF) of Attachment A, 2025 Depreciation Study of Florida City Gas).
2. The data in the file "OPC ROG-2-8a Service Life Data (37976850.1)" shows that in the years 2021-2024, no investments have retired in the 2021 vintage in Account 3762, Steel Mains, and there are no transfers in this vintage and account.
3. As a result of the numbers discussed in items 1 and 2 above, the Book Cost investment balance in Account 3762, Steel Mains should be $5,565,780 in the year 2021 vintage, at the end of 2024 ($5,565,780 - $0 = $5,565,780).
4. However, in the FCG calculation of the "Average Age" of Account 3762, Steel Mains, FCG used $546,527 as the claimed Book Cost at 1/1/2025, as shown on tab "Sch J" of "FCG Response Attachment A -Revised FCG Depreciation Study Workpapers".

   a. Please explain why FCG used $546,527 as the claimed Book Cost of the 2021 vintage at 1/1/2025 for Account 3762, Steel Mains when calculating "Average Age", when the FCG data from other sources shows the Book Cost at that time was in excess of $5,000,000.

   b. Please reconcile the (1) $546,527 shown as the claimed Book Cost at 1/1/2025 for Account 3762, Steel Mains (as shown on tab "Sch J" of "FCG Response Attachment A -Revised FCG Depreciation Study Workpapers"), with (2) the $5,565,780 amount of Additions in Account 3762, Steel Mains, in the year 2021 (as shown on "FCG Response Attachment A -Revised FCG Depreciation Study Workpapers" "Sch G 2021") adjusted for the later retirements (if any) from the 2021 vintage.

c. If the response to part (b) claims there have been any retirements from the 2021 vintage in Account 3762, Steel Mains, cite the line(s) in the file "OPC ROG-2-8a Service Life Data (37976850.1)" which shows any retirements in the years 20212024, in the 2021 vintage in Account 3762, Steel Mains.

Company Response:

a) The difference between the two schedules for the book cost is timing (See response 3-17a above) and erroneously reporting 2022 investments totaling $160K in vintage year 2021 on Schedule J of Composite Exhibit PSL-2 (workbook).

b) See attachment OPC ROG 3-18 Acct 3762 for a reconciliation between Schedules G 2021 and J. On tab 3-18 FPL Additions Rec Sch, FCG has included FPL's reconciliation between its PowerPlan CPR system and the Annual Report filing for 2021 through November 2023 Additions. This schedule was previously provided in Response to OPC POD 2-11 Schs F-G - FCG Plant Adds & Rets 2021-2023 (from FPL) under the Additions & Retirements Summary tab. Supporting entries were not provided by FPL with the reconciliation schedule; and therefore, vintages for the correcting entries cannot be determined by FCG. As a result, FCG continues to have confidence that its CRP records are the best option and swiftest option to provide the appropriate distribution of assets at 1/1/2025 to compute the average age calculation for adjusted accounts.

c) There were no retirements for the 2021 vintage. See tab 3-18 Corrected SLD Entries of attachment OPC ROG 3-18 Acct 3762, for the revised service life data for transaction years 2021-2024. FCG has written unknown in the transaction year for the correcting entries.

Respondent: Pat Lee

INTERROGATORY NO. 19(a-d)

19. Depreciation. Please reference the following observation(s) and answer (a) – (d):

In other accounts and vintages, it appears that there are discrepancies similar to as referenced in Interrogatory Nos. 17 and 18

a. For all vintages 2021 through 2024, and for all accounts, for any number in which: (1) the amount shown on tab "Sch J" of "FCG Response Attachment A Revised FCG Depreciation Study Workpapers" is more than (plus or minus)15% different from (2) the number which is the Addition (as shown on Sch G of "FCG Response Attachment A -Revised FCG Depreciation Study Workpapers" less the retirements in that vintage (as shown the file "OPC ROG-2-8a Service Life Data (37976850.1")), please reconcile the difference between the number discussed as (1) above and the number discussed in (2) above.

b. Please provide the reconciliations requested in part (a) in Excel with the formulas included and working.

c. If any numbers not shown on "FCG Response Attachment A -Revised FCG Depreciation Study Workpapers" are used in the reconciliations requested in part (a), provide the source for those numbers and explain what they are.

d. Provide a revised version of tab "Sch J" of "FCG Response Attachment A -Revised FCG Depreciation Study Workpapers" except using data consistent with the data provided by FCG in the file "OPC ROG-2-8a Service Life Data (37976850.1)".

Company Response:

The difference in the book cost between the two schedules is timing. Please see response to OPC 3-17a above.

a) Please see attachment OPC ROG 3-19 2021-2024 Transaction Periods for a reconciliation between Schedules G 2021-2024 and J for accounts that report a (plus or minus) 15%

INTERROGATORY NO. 19(a-d), cont.

variance. All schedules have formulas intact with all source documentation included on a separate tab. Source documents include:

i. FPL's Additions Reconciliation from its CPR to the Annual Status Report filings for Years 2021 through November 2023 (Tab 3-19 FPL Additions Rec Sch).

ii. The combined Plant Summary Schedule, which includes FPL's and CHPK's PowerPlan CPR systems reports for FCG (Tab 2023 FPL CHPK Combined PLT).

iii. FPL and CHPK complete CPR listing in pivot table format, filtered by account for each reconciliation (Tabs 3-19 FPL CPR Pivot and 3-19 CHPK CPR Pivot).

b) See response to 3-19a above.

c) See response to 3-19a above.

d) Please see attachment OPC ROG 3-19d Revised Sch J of Composite Exhibit PSL-2 (workbook) for the updated Sch J, which includes all corrections presently known to FCG as a result of answering OPC 3rd Set of Interrogatories. See also attachment OPC ROG 3-19d Revised Service Life Data for FCG's Revised Service Life Data schedule for transaction years 2021-2024 with additions by vintage. Previously, attachment OPC ROG 2-8a Service Life Data provided additions based on what was stated on the original Sch G 202X which may or may not have been the vintage total for the year.

Respondent: Pat Lee

Florida City Gas
OPC ROG 3-19
Net Addition Variance Greater than +/- 15%

This schedule was used to determine which accounts needed to be reconciled. A reconciliation between Additions Reported on Sch G and J was performed for each account indicating at least a +/- 15% difference.

Plant Account	Account Description	OPC ROG 2-8a - 2021 Additions	Retirements	Net Additions	Sch J Additions	Variance $	%	Reconciliation Ref.
3750	Struc&Impr	$97,376		$97,376	$98,567	($1,191)	-1%	
3761	Mains - Plastic (Formally Acct 3762)	$16,821,851		$16,821,851	$15,890,410	$931,441	6%	
3762	Mains - Steel (Formally Acct 3761)	$5,565,780		$5,565,780	$546,527	$5,019,253	90%	See Response 3-18
3780	M&R Stat Eq-Gen	$569,979		$569,979	$31,663	$538,316	94%	See Response 3-17
3790	M&R Stat Eq-CGate	$1,333,472		$1,333,472	$1,199,726	$133,746	10%	
3801	Services - Plastic (Formally Acct 3802)	$10,024,838	($528)	$10,025,366	$6,441,585	$3,583,781	36%	See 3-19 2021 Acct 3801
3802	Services - Steel (Formally Acct 3801)	$20,929		$20,929	$14,263	$6,666	32%	See 3-19 2021 Acct 3802
3810	Meters	$1,951,167	($8,140)	$1,959,307	$1,605,197	$354,110	18%	See 3-19 2021 Acct 3810
3812	Meters - ERT (Formally Acct 3811)	$751,626	($71,610)	$823,236	$639,123	$184,113	24%	
3820	Meter Installs	$791,856	($41,411)	$833,267	$361,786	$471,481	60%	See 3-19 2021 Acct 3820
3821	Meters Installs - ERTs	$25,554	($6,858)	$32,412	$4,839	$27,574	108%	See 3-19 2021 Acct 3821
3830	House Reg	$767,916	($40,906)	$808,822	$745,283	$63,539	8%	
3840	House Reg Installs	$125,567	($27,966)	$153,533	$85,421	$68,112	54%	See 3-19 2021 Acct 3840
3850	M&R Stat Eq-Ind	$353		$353	$190,574	($190,221)	-53887%	See 3-19 2021 Acct 3850
3870	Other Eq	$373,921		$373,921	$120,692	$253,229	68%	See 3-19 2021 Acct 3870
3900	Struc&Impr	$25,178		$25,178	$10,802	$14,376	57%	See 3-19 2021 Acct 3900
3960	Pwr Op Equip	$53,822		$53,822	$50,377	$3,445	6%	

Plant Account	Account Description	OPC ROG 2-8a - 2022 Additions	Retirements	Net Additions	Sch J Additions	Variance $	%	Reconciliation Ref.
3750	Struc&Impr	$27,395		$27,395	$26,084	$1,311	5%	
3761	Mains - Plastic (Formally Acct 3762)	$11,036,003		$11,036,003	$12,503,800	($1,467,797)	-13%	
3762	Mains - Steel (Formally Acct 3761)	$1,942,869		$1,942,869	$2,044,305	($101,436)	-5%	
3780	M&R Stat Eq-Gen	$7,610		$7,610	$17,482	($9,872)	-130%	See 3-19 2022 Acct 3780
3790	M&R Stat Eq-CGate	($49,052)		($49,052)	$51,913	($100,965)	206%	See 3-19 2022 Acct 3790
3801	Services - Plastic (Formally Acct 3802)	$6,698,645		$6,698,645	$8,141,267	($1,442,622)	-22%	See 3-19 2022 Acct 3801
3802	Services - Steel (Formally Acct 3801)	$108,577		$108,577	$103,901	$4,676	4%	
3810	Meters	$3,744,442	($1,001)	$3,745,443	$1,433,185	$2,312,258		See 3-19 2022 Acct 3810
3812	Meters - ERT (Formally Acct 3811)	$810,169	($32)	$810,201	$865,475	($55,274)	-7%	
3820	Meter Installs	$766,249		$766,249	$751,325	$14,924	2%	
3821	Meters Installs - ERTs	$20,254	($718)	$20,972	$30,418	($9,446)	-47%	See 3-19 2022 Acct 3821
3830	House Reg	($17,949)		($17,949)	$342,718	($360,667)	2009%	See 3-19 2022 Acct 3830
3840	House Reg Installs	$84,900		$84,900	$97,143	($12,243)	-14%	
3850	M&R Stat Eq-Ind	$190,607		$190,607	$0	$190,607		See 3-19 2022 Acct 3850
3870	Other Eq	$349,966		$349,966	$368,770	($18,804)	-5%	
3900	Struc&Impr	$9,034		$9,034	$8,902	$132	1%	
3960	Pwr Op Equip	($3,445)		($3,445)	$0	($3,445)		See 3-19 2022 Acct 3960

Plant Account	Account Description	OPC ROG 2-8a - 2023 Additions	Retirements	Net Additions	Sch J Additions	Variance $	%	Reconciliation Ref.
3642	Structures & Improvements	$35,843		$35,843	$35,843	$0	0%	
3643	LNG Process Terminal Eq	$578,535		$578,535	$239,768	$338,767		See 3-19 2023 Acct 3643
3645	Measuring & Regulating Eq	$35,905		$35,905	$35,905	($0)	0%	
3646	Compressor Station Eq	$59,165,659		$59,165,659	$59,702,374	($536,715)	-1%	
3750	Struc&Impr	$43,983		$43,983	$43,983	($0)	0%	
3761	Mains - Plastic (Formally Acct 3762)	$10,629,595		$10,629,595	$25,108,046	($14,478,451)	-136%	See 3-19 2023 Acct 3761
3762	Mains - Steel (Formally Acct 3761)	$1,047,432		$1,047,432	$1,989,579	($942,147)	-90%	See 3-19 2023 Acct 3762
3780	M&R Stat Eq-Gen	$17,481		$17,481	$0	$17,481	100%	See 3-19 2023 Acct 3780
3790	M&R Stat Eq-CGate	$52,002		$52,002	$0	$52,002	100%	See 3-19 2023 Acct 3790
3801	Services - Plastic (Formally Acct 3802)	$10,060,462		$10,060,462	$13,284,181	($3,223,719)	-32%	See 3-19 2023 Acct 3801
3802	Services - Steel (Formally Acct 3801)	$146,001		$146,001	$147,021	($1,020)	-1%	
3810	Meters	$46,626	($180)	$46,806	$2,764,415	($2,717,609)		See 3-19 2023 Acct 3810

3812	Meters - ERT (Formally Acct 3811)	$1,540,864		$1,540,864	$1,593,598	($52,734)	-3%	
3820	Meter Installs	$114,414		$114,414	$658,236	($543,822)	-475%	See 3-19 2023 Acct 3820
3821	Meters Installs - ERTs	$13,177		$13,177	$16,449	($3,272)	-25%	See 3-19 2023 Acct 3821
3830	House Reg	$730,409		$730,409	$570,864	$159,545	22%	See 3-19 2023 Acct 3830
3840	House Reg Installs	$34,706	($853)	$35,559	$48,548	($12,989)	-37%	See 3-19 2023 Acct 3840
3870	Other Eq	$333,796		$333,796	$333,795	$1	0%	
3900	Struc&Impr	$77,293		$77,293	$77,425	($132)	0%	

Plant Account	Account Description	OPC ROG 2-8a - 2024 Additions	Retirements	Net Additions	Sch J Additions	Variance $	%	Reconciliation Ref.
3643		$197,949	$0	$197,949	$0	$197,949		See 3-19 2024 Acct 3643
3750	Struc&Impr	$13,890	$0	$13,890	$13,890	$0	0%	
3761	Mains - Plastic (Formally Acct 3762)	$37,302,411	$0	$37,302,411	$18,023,696	$19,278,715	52%	See 3-19 2024 Acct 3761
3762	Mains - Steel (Formally Acct 3761)	$1,942,457	$0	$1,942,457	$484,050	$1,458,407	75%	See 3-19 2024 Acct 3762
3780	M&R Stat Eq-Gen	$69,594	$0	$69,594	$69,594	$0	0%	
3790	M&R Stat Eq-CGate	$142,663	$0	$142,663	$142,663	$0	0%	
3801	Services - Plastic (Formally Acct 3802)	$16,036,348	$0	$16,036,348	$11,366,369	$4,669,979		See 3-19 2024 Acct 3801
3802	Services - Steel (Formally Acct 3801)	$714,179	$0	$714,179	$714,179	$0	0%	
3810	Meters	$2,606,587	$0	$2,606,587	$2,190,497	$416,090		See 3-19 2024 Acct 3810
3812	Meters - ERT (Formally Acct 3811)	$407,345	$0	$407,345	$374,802	$32,543	8%	
3820	Meter Installs	$1,141,966	$0	$1,141,966	$817,755	$324,211		See 3-19 2024 Acct 3820
3821	Meters Installs - ERTs	$236,975	$0	$236,975	$223,958	$13,017	5%	
3830	House Reg	$683,590	$0	$683,590	$674,912	$8,678	1%	
3840	House Reg Installs	$121,243	$0	$121,243	$116,904	$4,339	4%	
3870	Other Eq	$282,386	$0	$282,386	$282,386	$0	0%	
3900	Struc&Impr	$3,881,477	$0	$3,881,477	$3,881,477	$0	0%	

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of Florida City Gas's 2025 Depreciation Study and for Approval to Amortize Reserve Imbalance.	) Docket No.: 20250035-GU)) Dated: October 17, 2025)

DECLARATION

I hereby certify and affirm that I sponsored the Company's responses to Citizen's Third Set of Interrogatories to Florida City Gas (Nos. 17 - 19) in Docket No. 20250035-GU. The responses are true and correct to the best of my knowledge. Under penalty of perjury, I declare that I have read the foregoing declaration and the interrogatory responses identified above, and that the facts stated therein are true.

Patricia Lee

Patricia Lee, Declarant

Dated: October 17, 2025

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of Florida City Gas's 2025 Depreciation Study and for Approval to Amortize Reserve Imbalance.	) Docket No.: 20250035-GU)) Filed: August 20, 2025)

FLORIDA CITY GAS'S RESPONSES AND OBJECTIONS TO CITIZEN'S SECOND SET OF INTERROGATORIES (4-16) AND SECOND REQUESTS FOR PRODUCTION OF DOCUMENTS (NOS. 6-11)

Florida City Gas ("FCG" or "Company") hereby submits its Responses and Objections to Citizen's Second Set of Interrogatories (Nos. 4-16) and Second Request for Production of Documents (Nos. 6-11) served on the Company on July 21, 2025, by the Office of Public Counsel ("OPC").

Respectfully submitted this 20th day of August, 2025.

Beth Keating
Gunster, Yoakley & Stewart, P.A.
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For Florida City Gas

INTERROGATORY NO. 16(a-b)

16. **Depreciation.** In response to Staff's First Set of Data Requests, No. 7(d) regarding the net salvage factor of Account 3801, Plastic Services, the FCG response included the following: "The retirement rates of less than 1 % are not reliable for net salvage projections."

a. Please cite which page in *Public Utility Depreciation Practices*, published by NARUC (1996) says that retirement rates (or retirement ratios) of less than 1 % are not reliable.

b. For any citation from *Public Utility Depreciation Practices* provided in response to part (a), provide the citation from *Public Utility Depreciation Practices,* which shows the citation was referring to retirement rates (or retirement ratios) in which the original costs in the denominator were from a **different** average time period than the original costs in the numerator.

Company Response:

a. There is no specific cite from *Public Utility Depreciation Practices*. The statement is based on Ms. Lee's vast depreciation experience. Stated simply, when retirement rates average less the 1%, the results of statistical analysis are considered meaningless for service life or net salvage projections, because there is not a reasonable sample size upon which to conduct the statistical analysis. Additionally, this approach for life and salvage determinations has been accepted by the Commission in previous depreciation studies, such as Docket No. 20220067-GU and Docket No. 20230079-EI.

b. FCG objects to this request as exceeding the scope of discovery in that it is argumentative and seeks information that is not solely in the possession of FCG and therefore equally and publicly available to OPC. With that said, FCG's response is: N/A

Respondent: Patricia Lee and Bety Maitre

Net Salvage Percent				
	Average Approved For Other Florida Gas Customers	FCG Last Five Year Average, Per FCG Schedule Q.	Currently Approved For FCG	FCG Proposed
Account 3801, Service – Plastic	(67)	(132)	(68)	(40)

Sources: see page 2 of this Exhibit

Net Salvage Percent				
	Average Approved For Other Florida Gas Customers	FCG Last Five Year Average, Per FCG Schedule Q.	Currently Approved For FCG	FCG Proposed
Account 3762, Mains – Steel	(56)	(73)	(50)	(40)

Sources: see page 3 of this Exhibit

Net Salvage Analysis - Account 3801 - Services Plastic

			Customers		
FCG current	(68)	(30)	711	SEBRING	(21,330)
(Composite Exhibit PSL-2, pages 15-16).		(30)	100,000	FPUC	(3,000,000)
		(75)	470,000	PEOPLES	(35,250,000)
FCG proposes	(40)	(30)	2,878	ST JOE	(86,340)
			573,589		(38,357,670)
			Average Approved Net Salvage for Other Florida Gas Companies		(67)

For the sources of the number of customers see **pages 4 to 9 of this exhibit.**

Net Salvage Analysis - Account 3762 - Mains Steel

FCG current (50)
(Composite Exhibit PSL-2, pages 12-13).

FCG proposes (40)

	Customers		
(30)	711	SEBRING	(21,330)
(40)	100,000	FPUC	(4,000,000)
(60)	470,000	PEOPLES	(28,200,000)
(30)	2,878	ST JOE	(86,340)
	573,589		(32,307,670)
Average Approved Net Salvage for Other Florida Gas Companies			(56)

For the sources of the number of customers see pages 4 to 9 of this exhibit.

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Background

On April 4, 2023, Peoples Gas System, Inc. (PGS or Company) filed a petition seeking our approval of a rate increase and associated depreciation rates. PGS is a natural gas distribution company providing sales and transportation of natural gas, and is a public utility subject to our regulatory jurisdiction under Chapter 366, Florida Statutes (F.S.). PGS is a wholly-owned subsidiary of TECO Gas Operations, Inc. and provides service to approximately 470,000 customers in 39 of Florida's 67 counties.

PGS requested an increase of approximately $139.3 million in base rates. Of that amount, about $11.6 million is associated with revenue requirements transferred from the Cast Iron/Base Steel Replacement Rider. The remaining $127.6 million is necessary, according to PGS, for the Company to earn a fair return on its investment. PGS based its request on a 13-month average rate base of $2.4 billion for the projected test year ending December 31, 2024. The requested overall rate of return is 7.42 percent based on a mid-point return on equity (ROE) of 11.00 percent. The Company did not request an interim rate increase.

On December 15, 2022, PGS filed its petition in Docket No. 20220212-GU (RNG Depreciation Docket) seeking approval of a new depreciation rate and subaccount for renewable natural gas facilities leased to others. On December 28, 2022, PGS filed its petition seeking approval of the Company's 2022 Depreciation Study in Docket No. 20220219-GU (Depreciation Study Docket). On April 4, 2023, PGS filed a motion seeking to consolidate the RNG Depreciation Docket, the Depreciation Study Docket, and the rate proceeding in Docket No. 20230023-GU. By Order No. PSC-2023-0128-PCO-GU, issued April 12, 2023, the three dockets were consolidated. In Order No. PSC-2023-0157-PCO-GU, we suspended the proposed permanent increase in rates and charges.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of 2021 depreciation study, by Sebring Gas System, Inc.	DOCKET NO. 20210183-GU ORDER NO. PSC-2022-0153-PAA-GU ISSUED: April 22, 2022

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
ART GRAHAM
GARY F. CLARK
MIKE LA ROSA
GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING 2021 DEPRECIATION STUDY BY SEBRING GAS SYSTEM, INC.

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission (Commission) that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

Rule 25-7.045, F.A.C., requires natural gas public utilities to file a comprehensive depreciation study with the Commission for review at least once every five years from the submission date of the previous study or pursuant to Commission order. Sebring Gas System, Inc.'s (Sebring or the Company) last depreciation study was filed on July 20, 2016. The Company's 2021 depreciation study was due to be filed on or before July 20, 2021. Sebring filed its 2021 depreciation study on November 18, 2021. However, no parties were materially impacted as a consequence of the late filing.

Sebring serves approximately 711 customers, and reported 2020 operating revenues of approximately $1,242,000.[1]We conducted a comprehensive review of Sebring's plant depreciation data filed in this docket.

We are vested with jurisdiction over these matters through several provisions of the Florida Statutes (F.S.), including Sections 350.115, 366.05, and 366.06, F.S.

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[1] Sebring Gas System's Annual Report of Natural Gas Utilities Form PSC/AFA 20, at December 31, 2020, filed on May 21, 2021.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of 2022 Depreciation Study by St. Joe Natural Gas Company, Inc.	DOCKET NO. 20230022-GU ORDER NO. PSC-2023-0215-PAA-GU ISSUED: July 26, 2023

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
ART GRAHAM
GARY F. CLARK
MIKE LA ROSA
GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION ORDER APPROVING 2022 DEPRECIATION STUDY BY ST. JOE NATURAL GAS COMPANY, INC.

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

Rule 25-7.045(4)(a), Florida Administrative Code (F.A.C.), requires natural gas public utilities to file a comprehensive depreciation study with the Florida Public Service Commission (Commission) for review at least once every five years from the submission date of the previous study. St. Joe Natural Gas Company (St. Joe or Company) filed its 2022 Depreciation Study (2022 Study) on January 30, 2023. St. Joe's last depreciation study was filed on December 21, 2017 (2017 Study). St. Joe serves approximately 2,878 customers, and reported 2022 operating revenues of approximately $2,411,370.[1] We have completed our review of St. Joe's current 2022 Study filed in this docket.

We are vested with jurisdiction over these matters through several provisions of the Florida Statutes (F.S.), including Sections 350.115, 366.05, and 366.06, F.S.

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[1] St Joe's Annual Report of Natural Gas Utilities, Form PSC/ECR 020-G, at December 31, 2022, filed with the Commission on May 30, 2023.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Peoples Gas System, Inc.	DOCKET NO. 20230023-GU
In re: Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.	DOCKET NO. 20220219-GU
In re: Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.	DOCKET NO. 20220212-GU ORDER NO. PSC-2023-0388-FOF-GU ISSUED: December 27, 2023

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
ART GRAHAM
GARY F. CLARK
MIKE LA ROSA
GABRIELLA PASSIDOMO

APPEARANCES:

J. JEFFRY WAHLEN, JR.; MALCOLM MEANS; and VIRGINIA PONDER, ESQUIRES, Ausley McMullen, Post Office Box 391, Tallahassee, Florida 32302
On behalf of Peoples Gas System, Inc. (PGS).

WALT TRIERWEILER, ESQUIRE, Public Counsel; CHARLES REHWINKEL, ESQUIRE, Deputy Public Counsel; PATRICIA CHRISTENSEN, and MARY WESSLING, ESQUIRES, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Suite 812, Tallahassee, Florida 32399-1400
On behalf of the Office of Public Counsel (OPC).

JON C. MOYLE and KAREN PUTNAL, ESQUIRES, Moyle Law Firm, 118 North Gadsden Street, Tallahassee, Florida 32301
On behalf of Florida Industrial Power Users Group (FIPUG).

MAJOR THOMPSON, RYAN SANDY, DANIEL DOSE, and AUSTIN WATROUS, ESQUIRES, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (Staff).

INTERROGATORY NO. 6(a-c)

6. **Depreciation.** In response to Staff First Set of Data Requests, No. 7(d) regarding the net salvage factor of Account 3801, Plastic Services, the FCG response included the following:

> "**The retirement rates of less than 1 % are not reliable for net salvage projections**.
>
> To expect that the remaining account investment is likely to experience similar net salvage to that experienced by such historic miniscule retirements, Ms. Lee believes is not appropriate.... Thus, neither the (132)% negative net salvage experience over the 2021-2024 period nor the (398)% experience over the 2004-2024 period are considered representative of future expectations when they both relate **to such few retirements**. Ms. Lee also relied on discussions with Company personnel regarding removal cost associated with retired services (See response 7(a)). The proposed (40)% net salvage factor **is more in line with the projections of other Florida utilities than the currently prescribed net salvage factor.**" (Emphasis added).

On page 30 of FCG's PDF response to Staff First Set of Data Requests, the Company shows the Net Salvage factors for other Florida gas utilities which FCG considered. This FCG document shows Current Prescribed Net Salvage Factors for (1) Saint Joe, (2) Peoples Gas, (3) FPUC, and (4) Sebring Gas.

a. Pertaining to regulated gas customers in Florida, is it correct that Sebring Gas has approximately 1,000 customers, Saint Joe has approximately 5,000 customers, FPUC has approximately 85,000 customers, Florida City Gas has approximately 125,000 customers, and Peoples Gas has approximately 500,000 customers? If this is not a correct statement, please provide the corrected statement, including the number of regulated gas customers in Florida for each of the listed utilities, and provide the support for the corrected numbers.

INTERROGATORY NO. 6(a-c), cont.

b. As quoted above, FCG claims the FCG actual retirement data contains "**such few retirements**" that it allegedly cannot be used. Please explain why it is allegedly reasonable to believe that information pertaining to Saint Joe and Sebring gas, which have only a tiny fraction of the number of customers that FCG has, would be sufficient to rely on in determining the FCG net salvage factors, whereas the much larger amount of data that FCG has, is allegedly "**such few retirements**" that is cannot be used.

c. Does FCG claim that the lives of the small utilities Saint Joe and Sebring Gas were based on actuarial analysis of the aged Saint Joe and Sebring Gas data? If the response is "yes," provide the support for that claim.

Company Response:

a. FCG and FPUC's consolidated natural gas division have approximately 125,000 and 100,000 customers, respectively. FCG does not have access to the customer count of other companies.

b. The fact is that the retirements are insufficient to rely on the results of any statistical analysis for service life or net salvage projections. Additionally, as noted in FCG's responses to Staff's 1st Data Request, Ms. Lee reviewed the statistical analysis performed by Gannett Fleming in Docket No. 20220069-GU and did not believe additional statistical analysis of history was necessary. To expect that embedded investment is likely to experience similar net salvage to that experienced by such historic miniscule retirements, Ms. Lee believes is not appropriate. FCG proposals are based on an interpretation of the data based on Ms. Lee's vast experience along with discussions with Company personnel.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company - Indiantown Division.	DOCKET NO. 20220067-GU ORDER NO. PSC-2023-0103-FOF-GU ISSUED: March 15, 2023

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
GARY F. CLARK
GABRIELLA PASSIDOMO

APPEARANCES:

BETH KEATING, ESQUIRE, and GREGORY M. MUNSON, ESQUIRE, Gunster Law Firm, 215 South Monroe Street, Suite 601, Tallahassee, Florida 32301
On behalf of Florida Public Utilities Company (FPUC).

RICHARD GENTRY, ESQUIRE, Public Counsel, and PATRICIA A. CHRISTENSEN, ESQUIRE, Associate Public Counsel, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Suite 812, Tallahassee, Florida 32399-1400
On behalf of Office of Public Counsel (OPC).

JON C. MOYLE, ESQUIRE, and KAREN A. PUTNAL, ESQUIRE, Moyle Law Firm, 118 North Gadsden Street, Tallahassee, Florida 32301
On behalf of Florida Industrial Power Users Group (FIPUG).

RYAN SANDY, ESQUIRE, and JENNIFER CRAWFORD, ESQUIRE, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (Staff).

MARY ANNE HELTON, ESQUIRE, Deputy General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
Advisor to the Florida Public Service Commission.

KEITH C. HETRICK, ESQUIRE, General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
Florida Public Service Commission General Counsel.

36% involved quality of service issues. Additionally, 16 billing complaints and 3 service quality complaints appeared to demonstrate a violation of our Rules.

- Indiantown: two complaints, both concerning quality of service issues.

- Chesapeake: 19 complaints. Of those complaints, 1 was transferred to the Company, 13 were related to billing issues, and 5 involved quality of service issues. Additionally, two billing complaints and two service quality complaints appeared to demonstrate a violation of our Rules.

- Fort Meade: one complaint concerning a billing issue. Additionally, one complaint appeared to demonstrate a violation of our Rules.

Pursuant to Rule 25-7.018, Florida Administrative Code (F.A.C.), each utility shall keep a complete record of all interruptions affecting the lesser of 10% or 500 or more of its division meters. Based on the Company's filing, there were no customer interruptions affecting either 10% or 500 meters during the historic test year. Based on a review of all witness and customer testimony and consideration of the information presented above, we find that FPUC's quality of service is adequate.

Depreciation Study

V. Depreciation Parameters

A. Parties' Arguments

FPUC argued in its brief that the appropriate depreciation parameters are those presented in Revised Exhibit PSL-2 to the direct testimony of FPUC witness Lee. Further, the Company stated the depreciation study was conducted in accordance with Rule 25-7.045, F.A.C. (the Depreciation Rule). In keeping with the Depreciation Rule, FPUC explained that witness Lee proposed several changes to certain account life and salvage parameters. These proposed changes in depreciation parameters result in a reduction in depreciation expense of approximately $1.5 million, based on estimated investments and reserves as of January 1, 2023.

The Company also supported witness Lee's reliance on life characteristics for similar plant of other Florida gas companies to make a complete analysis. Witness Lee explained that retirement rates for FPUC averaged less than one percent since the last depreciation study for many accounts, which provided insufficient data to perform any meaningful statistical analyses for life characteristics, which led her to rely on life characteristics for similar plant of other Florida gas companies to make a complete analysis. The Company argued that this is a common and accepted industry practice.

FPUC argued in support of witness Lee's approach for conducting the Depreciation Study. Witness Lee conducted the Depreciation Study with the same approach as the Company's previous studies. This approach did not include statistical analysis in order to produce Iowa

Witness Lee does not believe that the three companies in witness Garrett's proxy group from outside of Florida are similar to Florida companies for determining life expectancies. She points out that witness Garrett does not provide any analysis which shows that his out-of-state companies are similar enough to FPUC for comparison purposes. In particular, she points to Florida's meteorological conditions (e.g. hurricane incidence) and subsurface conditions (e.g. karst geology, saltwater intrusion, and corrosion). As witness Lee testifies, the range of ASLs for companies operating in Florida has historically been used by us to test the reasonableness of proposed ASLs.

Witness Lee further explains that the regulatory environment these out-of-state companies operate in could also be different than that of Florida's. These regulatory practices could have an effect on maintenance, retirements, and expensing/capitalization practices. For these reasons, she argued that using companies that operate inside of Florida is more appropriate for comparison purposes. She continues by stating that all of these differences warrant a recommendation of shorter lives than witness Garrett's out-of-state companies. This is evidenced by the approved lives of the two Florida companies in witness Garrett's proxy group that are based on large amounts of company-specific data and statistical analysis.

Witness Lee also testified that the customer sizes of witness Garrett's out-of-state proxy companies make them poor proxies for FPUC. She points out that Liberty has approximately 60,000, NIPSCO has approximately 821,000, and Piedmont Natural Gas has 157,000 customers, while FPUC has approximately 108,000. Witness Lee stated that, "The operational characteristics and demand on assets between these different sized companies can create different accounting and operation process dynamics for each company." Witness Garrett did not provide any analysis showing that his proxy group was comparable to Florida-based utilities.

Based on the foregoing, along with consideration of our practice of using Florida-based companies for comparison purposes,[11] we are persuaded that witness Lee's proxy group is more appropriate for establishing the ASLs for FPUC's assets. We find that both the operating conditions and the regulatory environment in which Florida-based gas companies operate make them more suitable for estimating the depreciation parameters in this case.

Account 378 – M&R - General

The currently-approved ASL for this account is 31 years. Witness Lee proposed increasing the ASL for this account to 40 years. Witness Garrett proposed extending it to 46 years. We find that a 40-year ASL is reasonable because witness Lee's use of a Florida-based proxy group mimics the conditions (meteorological, subsurface, regulatory) more likely to

[11] Order No. PSC-2019-0433-PAA-GU, issued October 22, 2019, in Docket No. 20190056-GU, *In re: Petition for approval of 2019 consolidated depreciation study by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation*; Order No. PSC-2022-0153-PAA-GU, issued April 22, 2022, in Docket No. 20210183-GU, *In re: Petition for approval of 2021 depreciation study by Sebring Gas System, Inc.*; Order No. PSC-2018-0368-PAA-GU, issued July 25, 2018, in Docket No. 20170265-GU, *In re: Application for approval of new depreciation rates effective January 1, 2018, by St. Joe Natural Gas Company, Inc.*

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of Florida City Gas's 2025 Depreciation Study and for Approval to Amortize Reserve Imbalance.	) Docket No.: 20250035-GU)) Filed: October 21, 2025)

FLORIDA CITY GAS'S RESPONSES AND OBJECTIONS TO CITIZEN'S FOURTH SET OF INTERROGATORIES (20-25) AND THIRD REQUESTS FOR PRODUCTION OF DOCUMENTS (NOS. 12-13)

Florida City Gas ("FCG" or "Company") hereby submits its Responses and Objections to Citizen's Fourth Set of Interrogatories (Nos. 20-25) and Third Requests for Production of Documents (Nos. 12-13) served on the Company on October 9, 2025, by the Office of Public Counsel ("OPC").

Respectfully submitted this 21st day of October, 2025.

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 S. Monroe Street, Suite 601
Tallahassee, FL 32301-1804
(850) 521-1706
bkeating@gunster.com
For Florida City Gas

INTERROGATORY NO. 23(a-f)

23. With regard to the following items, please answer (a.) – (f.):

Regarding Account 3801: Services – Plastic, Composite Exhibit PSL-2 (Narrative), page 15 states the following:

"FCG has a program to replace mains and services running through less assessable parts of customer property (e.g., backyards) with mains and services located in more accessible areas."

(a.) In what year did FCG first replace "mains and services running through less assessable parts of customer property (e.g., backyards) with mains and services located in more accessible areas"?

(b.) Please state "yes" or "no" whether it is correct that the majority of the "mains and services running through less assessable parts of customer property (e.g., backyards)" which were replaced were **steel** mains and service lines? If your response is "no," then please provide the corrected statement and the support for the corrected statement.

(c.) Please state "yes" or "no" whether it is correct that when FCG replaced the "mains and services running through less assessable parts of customer prope1iy (e.g., backyards) with mains and services located in more accessible areas" the majority of the "mains and services located in more accessible areas" were **plastic** mains and services? If your response is "no," then please provide the corrected statement and the support for the corrected statement.

(d.) Please state separately for each of the years 2024, 2023, 2022, and 2021 how many **plastic** service lines FCG retired (for any reason)?

INTERROGATORY NO. 23(a-f)

(e.) Please state separately for each of the years 2024, 2023, 2022, and 2021 how many service lines **which were plastic** and **were in "less assessable parts** of customer property (e.g., backyards)" FCG retired and replaced with "services located in more accessible areas"?

(f.) How many **plastic** service lines did FCG have in service at the end of the year 2024?

Company Response:

a. In 2015, FCG first replaced mains and services running through less accessible parts of customer property with those located in more accessible areas. For clarification, the use of the word "assessable" in the testimony was an inadvertent, typographical error.

b. Yes.

c. Yes, but to be clear, the relocated facilities were not constructed of Orange Pipe plastic, which is subject to expedited replacement under the Company's SAFE plan.

d. FCG is unable to provide information with that level of specificity for the 2021 to 2023 period as the Company was not owned by Chesapeake and no historical data was loaded into Chesapeake's PowerPlan system for any period. During the acquisition, FCG loaded assets for ongoing projects as of December 2023. Based on FCG's records, there were 204 plastic services retired in 2024. FCG does have the information utilized for the SAFE docket, which is attached hereto as ROG 23 – SAFE.

e. FCG is unable to provide information with that level of specificity for 2021 to 2023 period as the Company was not owned by Chesapeake and no historical data was loaded into its PowerPlan system for any period. During the acquisition, FCG loaded assets for ongoing projects as of December 2023. Based on the records provided, there were no plastic services retired in 2024. FCG does have the information utilized for the SAFE docket, which is attached hereto as ROG 23 – SAFE.

INTERROGATORY NO. 23(a-f), cont.

f. There were approximately 89,000 plastic service lines at the end of 2024.

Respondent: Pat Lee

FILED 12/27/2023
DOCUMENT NO. 06755-2023
FPSC - COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Peoples Gas System, Inc.	DOCKET NO. 20230023-GU
In re: Petition for approval of 2022 depreciation study, by Peoples Gas System, Inc.	DOCKET NO. 20220219-GU
In re: Petition for approval of depreciation rate and subaccount for renewable natural gas facilities leased to others, by Peoples Gas System, Inc.	DOCKET NO. 20220212-GU ORDER NO. PSC-2023-0388-FOF-GU ISSUED: December 27, 2023

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
ART GRAHAM
GARY F. CLARK
MIKE LA ROSA
GABRIELLA PASSIDOMO

APPEARANCES:

J. JEFFRY WAHLEN, JR.; MALCOLM MEANS; and VIRGINIA PONDER, ESQUIRES, Ausley McMullen, Post Office Box 391, Tallahassee, Florida 32302
On behalf of Peoples Gas System, Inc. (PGS).

WALT TRIERWEILER, ESQUIRE, Public Counsel; CHARLES REHWINKEL, ESQUIRE, Deputy Public Counsel; PATRICIA CHRISTENSEN, and MARY WESSLING, ESQUIRES, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Suite 812, Tallahassee, Florida 32399-1400
On behalf of the Office of Public Counsel (OPC).

JON C. MOYLE and KAREN PUTNAL, ESQUIRES, Moyle Law Firm, 118 North Gadsden Street, Tallahassee, Florida 32301
On behalf of Florida Industrial Power Users Group (FIPUG).

MAJOR THOMPSON, RYAN SANDY, DANIEL DOSE, and AUSTIN WATROUS, ESQUIRES, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850
On behalf of the Florida Public Service Commission (Staff).

Table 2
Commission-Approved Depreciation Parameters and Resulting Remaining Life Depreciation Rates

Comparison of Depreciation Rates and Parameters											
		Existing				Commission Approved					
Account No.	Account Number	Curve Type	Average Service Life (yrs)	Future Net Salvage (%)	Remaining Life Rate (%)	Curve Type	Average Service Life (yrs)	Average Remaining Life (yrs)	Reserve (%)	Future Net Salvage (%)	Remaining Life Rate (%)
DISTRIBUTION PLANT											
37402	Land Rights	SQ	75	0	1.3	SQ	75	57	25.3	0	1.3
37500	Structures & Improvements	L0	33	0	2.8	L0	33	26	26.7	0	2.8
37600	Mains Steel	R1.5	65	(50)	2.1	R1.5	65	55	28.5	(60)	2.4
37602	Mains Plastic	R2	75	(33)	1.6	R2	75	67	20.4	(40)	1.8
37700	Compressor Equipment	R2	35	(5)	3.0	R2	35	33	6.9	(5)	3.0
37800	Meas & Reg Station Eqp Gen	R1.5	40	(10)	2.7	R1.5	40	31	26.2	(20)	3.0
37900	Meas & Reg Station Eqp City	R2.5	50	(10)	2.1	R2	52	46	16.0	(20)	2.2
38000	Services Steel	R0.5	52	(125)	4.0	R0.5	52	39	60.9	(130)	4.3
38002	Services Plastic	R1.5	55	(68)	2.7	R2.5	55	46	33.3	(75)	3.1
38100	Meters	R2	19	3	5.0	R2	20	12.4	41.4	0	4.7
38200	Meter Installations	R1	44	(25)	2.2	R1.5	45	37	33.1	(30)	2.6
38300	House Regulators	S1	42	0	1.8	S1.5	42	28	42.4	0	2.0
38400	House Regulator Installs	R1	47	(25)	1.9	R1.5	47	38	38.1	(30)	2.4
38500	Meas & Reg Station Eqp Ind	R3	37	(2)	2.3	R2.5	39	24	45.9	0	2.2
38700	Other Equipment	L2	24	0	3.0	L1.5	27	20	39.6	0	3.0
TRANSPORTATION EQUIPMENT											
39201	Vehicles up to 1/2 Tons	L2.5	9	11	7.0	L2.5	8	5.2	39.4	11	9.5
39202	Vehicles from 1/2 - 1 Tons	L3	10	11	5.6	L3	10	5.6	46.9	11	7.5
39204	Trailers & Other	R2	27	15	2.9	R1.5	30	26	17.8	20	2.4
39205	Vehicles over 1 Ton	L2	12	4	6.6	L2	13	7.5	49.4	7	5.8
OTHER GENERAL PLANT											
30300	Mis Intangible Plant	SQ	25	0	4.0	SQ	25	0	100.0	0	0.0
30301	Custom Intangible Plant	SQ	15	0	6.6	SQ	15	11.0	27.3	0	6.6
39000	Structures & Improvements	L0	25	0	2.4	L0	25	24	2.8	0	4.1
39100	Office Furniture	SQ	17	0	5.9	SQ	17	9.4	51.8	0	5.1
39101	Computer Equipment	SQ	9	0	11.1	SQ	9	5.4	57.8	0	7.8
39102	Office Equipment	SQ	15	0	6.7	SQ	15	5.9	63.1	0	6.3
39300	Stores Equipment	SQ	24	0	4.2	SQ	24	12.5	46.1	0	4.3
39400	Tools, Shop & Garage Equip	SQ	18	0	5.6	SQ	18	10.2	51.5	0	4.8
39401	CNC Station Equipment	SQ	20	0	5.0	SQ	20	14.9	24.5	0	5.1
39600	Power Operated Equipment	L1.5	18	10	2.7	L1.5	18	10.7	59.5	10	2.9
39700	Communication Equipment	SQ	13	0	7.7	SQ	13	2.3	97.4	0	7.7
39800	Miscellaneous Equipment	SQ	20	0	5.0	SQ	20	16.6	28.3	0	4.3
GATHERING AND LNG PLANT											
33600	RNG Plant	R2	30	(5)	3.5	R2	30	30	3.2	(5)	3.4
33601	RNG Plant Leased - 15 Years					SQ	15	13.5	5.5	0	6.7
36400	LNG Plant	R2	30	(5)	3.5	R2	30	30	1.7	(5)	3.5

D. Depreciation Study Date

At the hearing, we approved a type 2 stipulation as follows: Although the terms of the 2020 Agreement we approved in Order No. PSC-2020-0485-FOF-GU, suggests otherwise, the Company agrees with OPC that the depreciation rates that become effective on January 1, 2024 shall be calculated using a depreciation study date of December 31, 2023.

CHESAPEAKE UTILITIES CORPORATION

FLORIDA CITY GAS

2025 NATURAL GAS DEPRECIATION STUDY

As of 1/1/2025

COMPARISON OF ACCUMULATED BOOK RESERVE AND THEORETICAL RESERVE

ACCOUNT - #	/ NAME	PLANT: BOOK INVESTMENT W/ STUDY ADJUSTMENTS 1/1/2025	PLANT: BOOK RESERVE W/ STUDY ADJUSTMENTS 1/1/2025		PROPOSED RATES: THEORETICAL RESERVE (%)	PROPOSED RATES: THEORETICAL RESERVE ($)	PROPOSED RATES: IMBALANCE	PROPOSED RATES: WLR (%)	PROPOSED RATES: ARL (YEARS)	NET SALV (%)
STORAGE PLANT										
3642	Structures & Improvements	$35,843	$807		2.00	$717	($90)	2.00	49.00	0
3643	LNG Processing Terminal Equipment	$239,769	$2,464		2.00	$4,795	$2,331	2.00	49.00	0
3645	Measuring and Regulating Equip.	$35,905	$808		2.00	$718	($90)	2.00	49.00	0
3646	Compressor Station Equipment	$59,702,374	$1,922,731		2.00	$1,194,047	($728,684)	2.00	49.00	0
	Total Storage Plant	**$60,013,891**	**$1,926,810**			**$1,200,277**	**($726,533)**			
DISTRIBUTION PLANT										
3743	Right-of-Way	$11,132	$0		41.48	$4,618	$4,618	1.33	44.00	
3750	Structures & Improvements	$273,829	$8,672		14.20	$38,884	$30,212	2.86	30.00	0
3761	Mains - Plastic (Formally Acct 3762)	$237,376,057	$49,591,899	(A)	17.55	$41,659,498	($7,932,401)	1.73	65.00	(30)
3762	Mains - Steel (Formally Acct 3761)	$143,280,076	$65,981,846	(A)	41.10	$58,888,111	($7,093,735)	2.15	46.00	(40)
3780	Measuring and Regulating Equip. - General	$2,556,627	$410,733		19.25	$492,151	$81,418	2.75	33.00	(10)
3790	Measuring and Regulating Equip. - City Gates	$17,746,190	$5,689,779		28.60	$5,075,410	($614,369)	2.20	37.00	(10)
3801	Services - Plastic (Formally Acct 3802)	$128,613,988	$32,898,453	(A)	20.15	$25,915,719	($6,982,734)	2.55	47.00	(40)
3802	Services - Steel (Formally Acct 3801)	$16,378,776	$18,490,162	(A)	97.50	$15,969,307	($2,520,855)	3.75	34.00	(125)
3810	Meters	$24,399,075	$6,293,599		38.33	$9,352,165	$3,058,566	5.25	12.70	(5)
3812	Meters - ERTs (Formally Acct 3811)	$4,266,834	$301,699	(A)	15.00	$640,025	$338,326	5.00	17.00	0
3820	Meter Installations	$6,362,150	$242,463		20.55	$1,307,422	$1,064,959	2.27	35.00	0
3821	Meter Installations - ERT	$258,204	$6,171		2.39	$6,171	$0	2.27	43.00	0
3830	House Regulators	$7,527,623	$1,225,606		21.46	$1,615,428	$389,822	2.38	33.00	0
3840	House Regulators Installations	$2,065,464	$432,366		29.71	$613,649	$181,283	2.13	33.00	0
3850	Indus. Meas. & Reg. Station Equip	$3,740,797	$2,309,679		58.00	$2,169,662	($140,017)	2.50	16.80	0
3870	Other Equipment	$2,783,990	$713,530		19.92	$554,571	($158,959)	2.86	28.00	0
	Total Distribution Plant	**$597,640,812**	**$184,596,657**			**$164,302,791**	**($20,293,866)**			
GENERAL PLANT										
3900	Structures & Improvements	$13,115,013	$2,490,539		17.50	$2,295,127	($195,412)	2.50	33.00	0
3921	Transportation - Cars (revised subaccount)	$324,144	$163,750	(B)	62.25	$201,779	$38,029	7.50	3.70	10
3922	Transportation - Light -Med. Trucks, SUVs & Vans (revised subaccount)	$8,392,837	$3,453,447	(B)	29.98	$2,516,173	($937,274)	6.67	7.50	20
3923	Transportation - Heavy Trucks	$1,040,846	$591,746	(B)	53.32	$554,979	($36,767)	6.92	5.30	10
3924	Transportation - Trailers (formally account 3920)	$174,493	$137,364	(B)	51.00	$88,991	($48,373)	5.00	9.80	0
3941	Natural Gas Vehicle Equipment	$1,564,203	$826,016		42.50	$664,786	($161,230)	5.00	11.50	
3960	Power Operated Equipment	$278,349	$84,705		35.40	$98,536	$13,831	6.00	9.10	10
	Total General Plant	**$24,889,884**	**$7,747,567**			**$6,420,371**	**($1,327,196)**			
	Total Plant	**$682,544,587**	**$194,271,034**			**$171,923,439**	**($22,347,595)**			

(A) Restated account numbers based on Chesapeake's standard chart of account for all natural gas business units. All CHPK's natural gas business units uses the same chart of accounts to streamline operations. Reclassified Misc. Intantibles from Account 30302 to Account 3031. Reclassified Steel Mains from Account 3761 to newly proposed account 3762. Reclassified Plastic Mains from Account 3762 to newly proposed account 3761. Reclassified Steel Services from Account 3801 to newly proposed account 3802. Reclassified Plastic Services from Account 3802 to newly proposed account 3801. Reclassified ERTs from Meter Account 3811 to newly proposed account 3812.

(B) Restated all Transportation assets based on proposed subaccounts shown on Sch I.

CHESAPEAKE UTILITIES CORPORATION

FLORIDA CITY GAS

2025 NATURAL GAS DEPRECIATION STUDY

As of 1/1/2025

COMPARISON OF ACCUMULATED BOOK RESERVE AND THEORETICAL RESERVE

ACCOUNT - # / NAME		PLANT: BOOK INVESTMENT W/ STUDY ADJUSTMENTS 1/1/2025	PLANT: BOOK RESERVE W/ STUDY ADJUSTMENTS 1/1/2025	PROPOSED RATES: THEORETICAL RESERVE (%)	PROPOSED RATES: THEORETICAL RESERVE ($)	PROPOSED RATES: IMBALANCE	PROPOSED RATES: WLR (%)	PROPOSED RATES: ARL (YEARS)	NET SALV (%)
STORAGE PLANT									
3642	Structures & Improvements	$35,843	$807	2.00	$717	($90)	2.00	49.00	0
3643	LNG Processing Terminal Equipment	$239,769	$2,464	2.00	$4,795	$2,331	2.00	49.00	0
3645	Measuring and Regulating Equip.	$35,905	$808	2.00	$718	($90)	2.00	49.00	0
3646	Compressor Station Equipment	$59,702,374	$1,922,731	2.00	$1,194,047	($728,684)	2.00	49.00	0
	Total Storage Plant	**$60,013,891**	**$1,926,810**		**$1,200,277**	**($726,533)**			
DISTRIBUTION PLANT									
3743	Right-of-Way	$11,132	$0	41.48	$4,618	$4,618	1.33	44.00	
3750	Structures & Improvements	$273,829	$8,672	14.20	$38,884	$30,212	2.86	30.00	0
3761	Mains - Plastic (Formally Acct 3762)	$237,376,057	$49,591,899 **(A)**	17.55	$41,659,498	($7,932,401)	1.73	65.00	(30)
3762	Mains - Steel (Formally Acct 3761)	$143,280,076	$65,981,846 **(A)**	43.74	$62,670,705	($3,311,141)	2.31	46.00	(50)
3780	Measuring and Regulating Equip. - General	$2,556,627	$410,733	19.25	$492,151	$81,418	2.75	33.00	(10)
3790	Measuring and Regulating Equip. - City Gates	$17,746,190	$5,689,779	28.60	$5,075,410	($614,369)	2.20	37.00	(10)
3801	Services - Plastic (Formally Acct 3802)	$128,613,988	$32,898,453 **(A)**	24.65	$31,703,348	($1,195,105)	3.05	47.00	(68)
3802	Services - Steel (Formally Acct 3801)	$16,378,776	$18,490,162 **(A)**	97.50	$15,969,307	($2,520,855)	3.75	34.00	(125)
3810	Meters	$24,399,075	$6,293,599	38.33	$9,352,165	$3,058,566	5.25	12.70	(5)
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3850	Indus. Meas. & Reg. Station Equip	$3,740,797	$2,309,679	58.00	$2,169,662	($140,017)	2.50	16.80	0
3870	Other Equipment	$2,783,990	$713,530	19.92	$554,571	($158,959)	2.86	28.00	0
	Total Distribution Plant	**$597,640,812**	**$184,596,657**		**$173,873,014**	**($10,723,643)**			
GENERAL PLANT									
3900	Structures & Improvements	$13,115,013	$2,490,539	17.50	$2,295,127	($195,412)	2.50	33.00	0
3921	Transportation - Cars (revised subaccount)	$324,144	$163,750 **(B)**	62.25	$201,779	$38,029	7.50	3.70	10
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	Total General Plant	**$24,889,884**	**$7,747,567**		**$6,420,371**	**($1,327,196)**			
	Total Plant	**$682,544,587**	**$194,271,034**		**$181,493,662**	**($12,777,372)**			

(A) Restated account numbers based on Chesapeake's standard chart of account for all natural gas business units. All CHPK's natural gas business units uses the same chart of accounts to streamline operations. Reclassified Misc. Intantibles from Account 30302 to Account 3031. Reclassified Steel Mains from Account 3761 to newly proposed account 3762. Reclassified Plastic Mains from Account 3762 to newly proposed account 3761. Reclassified Steel Services from Account 3801 to newly proposed account 3802. Reclassified Plastic Services from Account 3802 to newly proposed account 3801. Reclassified ERTs from Meter Account 3811 to newly proposed account 3812.

(B) Restated all Transportation assets based on proposed subaccounts shown on Sch I.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for Approval of Florida City Gas's 2025 Depreciation Study and for Approval to Amortize Reserve Imbalance.	) Docket No.: 20250035-GU)) Filed: August 20, 2025)

FLORIDA CITY GAS'S RESPONSES AND OBJECTIONS TO CITIZEN'S SECOND SET OF INTERROGATORIES (4-16) AND SECOND REQUESTS FOR PRODUCTION OF DOCUMENTS (NOS. 6-11)

Florida City Gas ("FCG" or "Company") hereby submits its Responses and Objections to Citizen's Second Set of Interrogatories (Nos. 4-16) and Second Request for Production of Documents (Nos. 6-11) served on the Company on July 21, 2025, by the Office of Public Counsel ("OPC").

Respectfully submitted this 20th day of August, 2025.

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 S. Monroe Street, Suite 601
Tallahassee, FL 32301-1804
(850) 521-1706
bkeating@gunster.com
For Florida City Gas

INTERROGATORY NO. 13(a-b)

13. **Depreciation.**

a. Does FCG agree that the change in depreciation rates that was proposed in Florida City Gas in Docket No. 20220069-GU was part of a petition for a base rate increase, which means that the change in the depreciation rates which would be booked would be effective at approximately the same time that the revised prices/tariffs charged to ratepayers would be effective? If this is not a correct statement, please provide the corrected statement and the support for the corrected statement.

b. Does FCG agree that the change in depreciation rates proposed by Florida City Gas in the current proceeding is not part of a petition for a base rate increase, and if accepted, no change to the prices/tariffs charged to ratepayers would be effective at approximately the same time changes to the depreciation rates to be booked would be effective? If this is not a correct statement, please provide the corrected statement and the support for the corrected statement.

Company Response:

a. FCG agrees that, as part of its petition for a base rate increase in Docket No 20220069-GU, an implementation date for revised depreciation rates was requested effective with the date of FCG's new revenue rates. However, FCG's plant and reserve balances were submitted as of December 31, 2022, matching an implementation date for revised depreciation rates of January 1, 2023. PSC Order No. PSC-2023-0177-FOF-GU, page 17, approved a January 1, 2023 effective date for revised depreciation rates comporting with Rule 7.045(4)(d), F.A.C.

Respondent: Patricia Lee and Bety Maitre

INTERROGATORY NO. 13(a-b), cont.

b. Correct. Revised depreciation rates approved in the instant depreciation study, assuming a January 1, 2025 effective date as proposed, will not affect current prices/tariffs charged to ratepayers whether that change results in an increase or a decrease in depreciation expenses. Rule 25-7.045 (4), F.A.C., requires utilities to file depreciation studies at least once every five years. The Rule does not preclude a utility from filing a depreciation study sooner than five years. Moreover, the requirement does not contemplate that a rate case be filed in conjunction with the depreciation study. However, if a utility proposes an effective date for revised depreciation rates coinciding with an expected date of new revenue rates, the depreciation study is required to be filed no later than the filing of the rate case Minimum Filing Requirements.

Respondent: Patricia Lee and Bety Maitre